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# USAID KOSOVO PRIVATE ENTERPRISE PROGRAM (KPEP)

## QUARTERLY REPORT Quarterly Report 2011/Q3

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## Contents

Executive Summary.....	3
Component 1: Increased Competitiveness of Key Sectors .....	9
Agriculture: Livestock .....	9
Agriculture: Fruit and Vegetable.....	21
Agriculture: Non Wood Forest Products.....	32
Forestry: Forests .....	38
Forestry: Wood Processing .....	44
Construction: Road .....	53
Construction: Materials .....	57
Information Communication Technology (ICT) .....	65
Tourism .....	74
Recycling .....	89
Component 2: Business Support Services (BSS) .....	91
Component 3: Business Enabling Environment (BEE).....	93
Component 4: Work Force Development (WFD).....	104
<i>Cash for Work and Business Support Activities Northern Kosovo.....</i>	<i>111</i>
<i>PERFORMANCE BASED-MANAGEMENT SYSTEM.....</i>	<i>113</i>
<i>Microenterprises .....</i>	<i>120</i>
<i>Strategic Activities Fund (SAF) .....</i>	<i>142</i>
<i>Women.....</i>	<i>149</i>
<i>Minorities .....</i>	<i>150</i>
<i>Trade Capacity Building and Facilitation .....</i>	<i>151</i>
<i>Annex 1. Report on Indicators.....</i>	<i>158</i>
<i>Annex 2: PMP Report-Annual Goals and Results .....</i>	<i>183</i>

## Executive Summary

KPEP has continued during Quarter 3 to provide focused and strategic support to identified sectors with an emphasis on activities that catalyze business expansion.

This quarter has been crucial in consolidating the activities in support of seasonally defined sectors, especially the **vegetable sector**. Grant support, initiated during Q1 and awarded in Q2 has seen the completion of all but 2 programmed pack house and processing facilities during Q3. The completion of the balance will take place during early Q4 in time for the marketing season. Total cold storage capacity installed is now increased to 4,700m<sup>3</sup>. Additionally, appropriate study tours and business to business meetings have been concluded during this quarter, reinforcing the utility of new pack house aggregation points as well as increasing pre planting off take agreements between producers, processors and aggregators. The B2B vegetable conference initiated by KPEP finally resulted in pre planting demand for an additional 6,500 mt of fresh produce into both the export and processing sectors. The 4 processing firms mentioned in Q2 as expressing keen interest in increased and contracted off take have continued to engage with producers during the course of the production season. Early indications now are that seasonal vegetable off take is likely to be at least 250% of that recorded the previous harvest season. Target plantings of improved varieties as well as the use of improved planting technologies have been achieved or exceeded, with an outstanding achievement of doubling of the target for early plastic mulch use with 100Ha planted. These achievements should result in much higher yield and quality parameters. Of note this quarter has been the increased interest from Western European markets in importing produce from Kosovo. It is likely that the Kelmendi group will for the first time add Kosovo fruit and vegetables to their distribution in Germany and the Low Countries.

The **Dairy sector** has continued to build on the achievements the process sector in increasing marketability of product, driving import substitution and improving the position of Kosovo Dairy products in the market. The consumption of dairy product continues to grow and although all major firms are seeing increased local market sales and early indications are that local sales are increasing markedly. KPEP has continued with its strategy of improving product quality into the dairies. The projected seasonal increase in supply arrived about 3 weeks later than usual, but for the first time, there was no off take problem – processors managed to buy the increased supply, process and market into the local market. Demand was augmented by the opening of a new market for fresh milk to Albania – the first of its kind. KPEP was notably effective here in

galvanizing support from the public sector resulting in a reversal of the Albanian government's position on customs valuations which would have prevented this export. The ongoing collaboration with the Kosovo Veterinary Agency, Ministry of Agriculture and Producers and Processors Associations in implementing a national quality standard pricing system has seen increased milk quality tests and improved processor – producer communication. Target sample numbers have been exceeded with 1,700 samples per month being analyzed through the public laboratory. Automated farmer feedback systems have continued to be worked on this quarter and the EU twinning project has agreed to partner KPEP in the final development of this innovative solution. During Q3, the annual dairy promotion campaign was run culminating in a public media event on National Milk day on 1<sup>st</sup> June. The campaign was marked by increased public awareness to “buy local” through improved media campaigns which this year featured a social network campaign and successive in store promotions which were particularly successful.

In addition to the dairy sector, the largest firm in the **poultry sector**, Konisoni continues to work on the implementation of its EU grant for expansion. Fresh meat sales have exceeded all expectations. Early marketing support to the firm had focused on increasing demand through the establishment of rotisserie outlets to increase awareness of the local quality. This was quickly overtaken by unprecedented market demand. Konisoni produce is now available in all major supermarket outlets and butcheries. Public demand for the more expensive but fresh meat is increasing rapidly and the firm cannot yet keep up with the demand. KPEP continues to work with the firm on developing its market position.

Like the dairy sector, the **Non-Wood forest** (NWFP) sector has emphasized quality, through increased emphasis on HACCP and Bio standards for products and processes. The target to achieve HACCP certification for at least 3 firms is well on its way with one firm qualifying and the other 2 close and due for completion in early Q4. Completed technical and grant support to NWFP firms has put them in good positions to capitalize on the seasonal off take during Q3 and Q4. Market linkages have continued to be reinforced with the visit of one of the largest European importers of herbs - Sonnentor, to KPEP client APS in Istog. Their intention is to increase the supply of cultivated herbs. 2 other visits by other importers are expected in Q4. The cultivated raspberry establishment trials in Strpce/Shtrpca have performed well and have stimulated the demand for increased production in Strpce/Shtrpca and Dragash/Dragas using these trials as sources of planting materials. Hit Flores in Dragash/Dragas initiated its projected expansion this

quarter which should be fully operational during Q4. Very early indications are that the target of 40% increase in NWFP sales should be achieved.

The **Forestry** sector has continued to prepare the forestry industry – public and private for the anticipated Forest Stewardship Council (FSC) certification of the Kosovo industry standard developed in the last work plan year. Final comments have been received from FSC in Bonn during Q3 and the standard now in approvable format following final standards development group edits. In preparation for the certification, KPEP has continued to train public forest managers in the implementation of this standard such that upon final authorization by the FSC. Trainings have taken place this quarter in Dragas/ Dragash, and Kacanik/ Kaçanik. Additionally the internal audit function of the ministry has been reinforced with appropriate training – in Kosovo and as part of an audit visit in Croatia. The Chain of Custody (CoC) processes have been developed and are in final form for publication as a booklet during Q4.

The allied **Wood Processing** sector has been actively engaged during Q3 in promoting improved quality of production, enabling better competition with imported furniture. This has been done by specific technical and firm management trainings to targeted firms, support to the Association of Wood Processors (AWPK) as well as effective participation in regional and appropriate European trade fairs. Of particular note this quarter has been the effective participation and resulting market presence in Montenegro and Macedonia. Lesna In Design, Gacaferi , Ahikos and Hilmi Deva Companies all increased capacities and local market presence through the opening of new facilities this quarter. Early indications are that imports of raw materials specifically for furniture industry have increased by 20% implying that sales will be very positively reflected. The larger firms are now in a position to begin taking on the critical chain of custody management practice that will put them in a stronger market position in the coming year.

All Biomass support through grants has been finalized and firms are set to increase sales in the season leading up to and through the winter. Market demand is strong and firms have no problem putting their entire product into the market. The challenge remains here to increase capacities even further as the industry passes its proof of concept phase. Interest is being felt from the European market as legislation regarding renewable energy begins to take effect. Demand for high quality pellets will far exceed supply capacity.

The **construction sector** has continued to focus during Q3 on concluding the training for road engineers and the closure of the arrangements for the effective development of a sustainable heavy equipment operator training course. In May 30 participants, from public and private sectors graduated from a certified course for road engineers conducted at the University of Pristina. The course was conducted by trainers from the Texas Transportation Institute (TTI). The effective course has generated enthusiasm for the follow up course and opened opportunities for creative ways to make this self-sustainable. The Heavy Equipment Operators Training Course (HEOTC) has been carried out at the premises of the KEK training center and 40 trainees are expected to graduate early in Q4. Challenges have been overcome, with the full commitment of senior KEK management and the follow on course should be well received.

The allied **Construction Materials** Sector has focused on subsectors with the greatest potential for increasing employment through business expansion in the import substitution sector. Grant support to the light manufacturing sector is almost finalized with grants approved to Rizam and Brickos – both in the clay manufacturing sector. A grant to Vinex is still pending final resolution of environmental concerns. Participation at the traditional import construction fair in Pristina by local firms was very successful with increased awareness of quality and reliability of local products. International standard accreditation for KPEP firm Ferplast was initiated with the visit of the Austrian certification body as a pre audit requirement.

The long awaited administrative instruction for the licensing of architects and engineers was signed by the Minister during this quarter and rapid progress is being made in forming the required temporary board.

The **Information Communication Technology (ICT)** has seen the opening of the Kosovo Internet Exchange point (KOSIX). All major internet service providers accepted this new opportunity and within 2 weeks of the center being operational had structured the required peering agreements and locally routed internet traffic was up to 10 time initial traffic estimates.

The interest from Indian investors continues to be cultivated with 2 firms showing particularly strong interest. KPEP ICT sector lead is continuing to pursue these interests and in conjunction with other supporting partners, it is possible that at least one firm will make initial investment

decisions during Q4. Additionally the pipe line of firms entering the ICT, and particularly the BPO sector continues to show promise. Initial PBO grantee firm, ApdaptivIT is operational with support from KPEP and the world bank CDF. Strong interest in IT incubation is being fostered by KPEP to meet the anticipated demand from young firms entering this market and collaboration with Norwegian consultancy firm Athaene was initiated this quarter. It is anticipated that this will lead to full incubator establishment during Q4.

The **Tourism** sector has continued to focus on the development of the Kosovo integrated tourism offerings and promoted these at regional tourism fairs. This includes the Dukajini region consolidated offering as well as the conclusion of the work on the wine tourism offering in Rahovec. The wine tourism focal point with the focus in Rahovec/Orahovac has been opened during this quarter and continues to contribute to increased tourism revenues for the region. The continuous pressure in the international market place has begun to yield significant results. The number of multi-country and cross-border tours experienced an increase of 50% compared to Year 2 (eight new tours this quarter); this increase fulfills the anticipated benchmarks by generating 10 times more international tourists hosted by KPEP's clients and three times higher international tourism receipts compared with last year.

**Recycling** has continued to receive support from KPEP this quarter with positive results in the plastics recycling sector. Collection and processing of plastic waste has increased by 200% resulting in increased revenues for collectors and improved market position of our recycling client. Additionally this quarter, grant support to Ag group was finalized and the new paper recycling facility in Pristina was opened, immediately entering into tissue production and reducing the demand for imported raw materials.

The **North Kosovo and Minorities Support Program** has continued to show strong results. Phase I and II of the cash for work program in Northern Kosovo have been concluded with 26,000 work days supported. KPEP has continued to create demand for grant, technical and business startup support and was instrumental in initiating a series of effective meetings in North Kosovo with USAID partner programs. The new north Kosovo award including a new IEE report was concluded this quarter but is still pending final approval – anticipated early in Q4. KPEP TA has been successful in aggregating more than 100 firms interested in business grant support. These will be screened as to potential early in Q4. Additionally, preparations have been finalized for the launch of the business startup facility which is due to be initiated early in Q4.

The **Work Force Development** cross cutting component continues to provide crucial skills to the workforce through curriculum development support for higher and vocational level education as appropriate, as well as increasing the pace of our excellent internship offering. The internship program activity has shown real promise and this is reflected in the attention being paid to this by multiple donors. KPEP has organized a series of well attended meetings with public and private actors, including USAID YEP, interested in the development of the labor market. During this reporting period, the entrepreneurship activity that has covered 20 municipalities was drawing to a successful close with anticipated formal closure early in Q4. Of note is the partnership with the World Bank CDF in this activity where CDF will provide grants to business plan competition winners. WfD has successfully conducted planned internship programs this quarter with more than 400 interns actively placed. It is projected that more than 50% of these across all sectors will find full time employment as a result of this.

The **Business Enabling Environment (BEE)** component continues to support all sectors in improving the business environment as appropriate to the sector's requirements. This has mainly focused on the need to improve trade regulation and facilitation as well as licensing and certification procedures. BEE has taken the lead in bringing together all relevant actors in support of this. BEE continues to be instrumental in increasing the collaboration between stakeholders in the expanding Economic Diplomacy Task Force. Additionally the component has been effectively utilized in support of the move to producer associations into the more effective cooperative structures. This has taken significant effort and 3 organizations will be restructured in Q4. Additionally BEE has been called upon repeatedly this quarter in support of the resolution of trade issues. In support of an improved business environment, BEE is working with SEAD to construct standard form contracts for agriculture.

The **Business support services (BSS)** component, in addition to providing specific cross sectoral support has focused on working with associations. These include producer associations, where in conjunction with BEE, significant progress has been made in converting these to cooperative with the direct benefit that they are able to trade directly – these will likely all be fully converted during Q4. BSS continues to monitor association health through the regular measurement of the Association Development Index.



## Component 1: Increased Competitiveness of Key Sectors

### *Agriculture: Livestock*

	SAF Budget Estimate	International STTA	Local STTA
	\$114,000	40 days	152 days
Committed this quarter	\$40,000	0	20 days
Total committed to date	\$158,000	0	5 days
Remaining to be programmed	0	0 days	20 days

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### Livestock Industry: Dairy

#### Objective 1: Sustainable improvement in milk quality (Ongoing)

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#### Benchmarks

- KPEP anticipates this activity will result in an increase in the number of raw milk samples analyzed at KVFA's raw milk laboratory with field personnel collecting at least 1,000 samples per month.

With respect to the number of raw milk samples analyzed, field officers from the transparent raw milk sampling project successfully collected raw milk samples from more than 90% of dairy farmers in Kosovo who sell their milk through dairy plants. In the month of May alone, 1,712 milk samples were analyzed at the Kosovo Food and Veterinary Agency (KFVA) raw milk lab. This represents the largest number of milk samples analyzed by the KFVA raw milk lab. The results of the analyses show improvements in somatic cell counts, which on the one hand means that the animals are in better health. On the other hand, bacteria counts are still high, which tells us that the milk handling procedure requires improvement, particularly at small-scale dairy farms, where

most poor quality milk originates. Overall, field results show that 60% of all milk produced by commercial dairy farmers and delivered to dairy plants ranges from first to extra class quality.

- **Bar code system on milk samples introduced and adopted by both processors and producers**

Head of the EU Animal Identification and Registration (IR) project, Tony Wilmore confirmed that the Project would support the development of the software system that consolidates laboratory test results and sends them as e-mail attachments to the coordinator of the transparent raw milk sampling project. This process specifies farm and milk buyer codes for each sample and forwards the results from the KFVA database to field agents, producers, laboratory and other stakeholders, via email and SMS. The electronic delivery of raw milk test results is expected to be operational by mid - August 2011.

- **At least 40% of farmers sampled see an improvement of at least one quality grade.**

The transparent raw milk sampling project database shows that, up to this quarter, 450 dairy farmers or 48% of farmers sampled, have moved one class higher. Moving from class III to class II however is not enough; KPEP will work with field agents to achieve further improvements. The main factors that will boost improvement in milk quality include (1) the uniform enforcement of the milk quality decree and (2) uninterrupted functionality of the KFVA raw milk laboratory. These are the main challenges, and since field agents have no control over them, it is the government's responsibility to enforce the milk quality decree and to ensure the consistency of raw milk laboratory testing.

- **The additional income of these farmers is at least €140 per year, per animal milked**

Upon the completion of the transparent raw milk sampling project, the project will collect records on the income of farmers per animal milked, but quality increases and nation-wide enforcement of the milk quality decree will guarantee revenue improvement.

### **Additional Achievements**

For the electronic delivery of raw milk test results to be successful, KFVA IT officials asked field agents to collect farm holding numbers. These numbers allow the software to deliver the raw milk test results electronically.

## Challenges

- The milk testing equipment frequently malfunctions and can take weeks or months to service. This interrupts the milk testing system and contributes to a lack of credibility in the milk quality control program.

## Activities Planned for the Next Quarter

- Develop the SMS data transfer system to alert processors and suppliers (Ongoing)
- Uniform enforcement of milk quality decree



Sample gathering at a milk farm

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**Livestock Industry: Dairy****Objective 2: Improve quality and variety of dairy products (New)**

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**Benchmarks**

- **Four dairy technologists and one private dairy consultant trained**

This activity was completed in the previous quarter. As a result of U.S.-based training, two new dairy products will be developed by the end of 2011.

- **A measurable increase in product shelf life of products from target firms**

Regional STTA Dragi Mihajlov conducted trainings at the Kabi dairy plant to transform the technological process for producing liquid yogurt. This involves altering the PH value from pH 4.25 to pH 4.65, before finishing yogurt fermentation. Yoghurt with an extended shelf life can be produced if the fermentation is completed at the pH 4.65 level. Shelf life determinations are still to be made.

- **A measurable improvement in milk conversion ratios in target firms**

KPEP engaged a regional dairy consultant to (1) assist dairy processors in the HACCP implementation process, (2) improve the cheese manufacturing process and (3) lower the costs of production through an improved conversion ratio of milk to cheese yield. At Rugova dairy, the standard had been 7.5 liters of milk per kilogram of cheese. The improved cheese making procedures now uses 5.5 liters of milk per kilogram of cheese – a 26% improvement in efficiency.

- **At least two new dairy plants become HACCP certified**

The implementation of HACCP practices by dairy facilities is a lengthy, highly detailed and labor intensive process. It requires commitment on the part of management and the entire staff to successfully implement the HACCP control system. KPEP is working with two dairy plants - Kabi and Rugova - to assist them in acquiring HACCP certification. Based on the consultant's

recommendations, Kabi and Rugova divided the production units inside their premises, and completed a new floor plant design and equipment lay out in compliance with HACCP requirements. With the new floor plan, the cross-contamination paths in the dairy plant have been eliminated. In addition, the STTA delivered the process manuals for transport, hygiene safety regulations, training and equipment calibration.

- **Target firms introduce at least two new dairy products to the market**

Devolli is building a new dairy plant, where it plans to install a new fruit yogurt line. The value of the investment is over € 1 million. KPEP anticipates that fruit yogurt will be introduced into the market in November.

### **Challenges**

- Though the Sharri dairy technologist has already acquired the skills for the commercial production of Gouda cheese with seasonings, the process requires a specialized cheese vat, which will likely be purchased with the support of a CDF grant. The cheese vats are only manufactured once an order is received and take approximately 60 to 70 days to produce. KPEP anticipates that seasoned Gouda cheese will be introduced into the market next quarter.

### **Activities Planned for the Next Quarter**

- KPEP will train an HACCP team to set up the Critical Control Points (CCP) in the dairy plant and thoroughly explain the four regulatory requirements: monitoring, verification, record keeping and corrective actions.

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## Livestock Industry: Dairy

### Objective 3: Improve product marketing and business relationships (Ongoing)

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#### Benchmarks

- **Dairy Imports will decline by at least €2 million during the 12-month period starting October 1, 2010 and ending September 30, 2011, reflecting an increase in market share by domestic producers**

The World Milk Day Event proved to be an ideal opportunity to launch the dairy consumption education and awareness campaign in order encourage consumers to buy local dairy products. The dairy campaign partnership of MAFRD, Producers and Processors Association and KPEP placed billboards in 15 prominent places throughout Kosovo and carried out point of sales promotion. Republica, the consulting firm that implemented the dairy promotion campaign, reached an agreement with the ETC retail chain to use its storage space for promotional activities in cities throughout Kosovo. Consumers had the opportunity to taste domestic dairy products and were encouraged to buy them. The dairy campaign culminated with the organization of the World Milk Day event that took place on Mother Theresa Street. National media outlets widely covered the event.



Left: Dairy products promoted in a supermarket.

Right: Minister of Agriculture marking the World Milk Day in a USAID sponsored event





Left: Billboard promoting dairy campaign

Right: Mary Hobbs of USAID and Blerand Stavileci Minister of Agriculture



### **Increase of €1.5 million in farm gate value of sales of dairy products**

According to PBMS data from the same period last year, KPEP dairy clients experienced an increase in sales of € 1 million during the period up to the end of Q3.

- **At least 20,000 school children benefit from the 2011 school milk promotion drive**

The dairy educational school program was held in the six largest elementary schools throughout Kosovo: Ismail Qemali and Hasan Pristina in Pristina; Thimi Mitko in Gjilan; Tefik Qanga in Ferizaj; Zekrija Rexha in Gjakove; and 8 Marsi in Peje.

At each school, a class hour for 5<sup>th</sup> grade students was dedicated to the dairy educational program. Students learned about the important benefits of milk and dairy products as part of their daily diet. They also learned about the importance of consuming domestic products. Students received informational flyers and Lara-branded notebooks following their participation in the program. Beyond the school dairy educational program, a Lara Facebook fan page was established to provide information to children and parents alike. The page was launched on June 1, has already received 7,200 *likes*, approximately 100,000 post views and more than 400 feedbacks.

## Activities Planned for the Next Quarter

- Maintain the Lara Facebook Fun Page



Left:  
Lectures at  
schools.

Right: Lara  
Facebook  
page with  
more than  
7000 likes.





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**Livestock Industry: Dairy****Objective 4: More effective dairy policy (Ongoing)**

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**Benchmarks**

- **At least one trade policy impacting the dairy sector adopted by the Government of Kosovo.**

Over the past five years Kosovo dairies have produced a surplus of raw milk during the summer season. Because Kosovo dairy farmers have faced (1) difficulties in marketing surplus milk (2) liquidity problems and (3) an inability to finance stocks of dairy products, collection of raw milk either ceased or was reduced.

This year, for the first time there were no quantity restrictions in raw milk collection by dairy plants. Bylmeti, a KPEP dairy processing client, established a market agreement to export fresh milk to Albania, since Albanian dairies traditionally cannot keep up with demand during the spring and summer tourist seasons. The export of raw milk to Albania started in May. The export was initiated with an initial transport support of €0.05/liter as risk buy down from KPEP for a maximum of 60,000 liters. To date, more than 120,000 liters of pasteurized milk has been exported to Albania.

- Albanian authorities did not initially honor the transaction value of the product (€ 0.25 per liter). Instead, they imposed an arbitrary reference price of €0.55 per liter to the import. A VAT of 20% was charged on this reference price, which made no economic sense from the export perspective. As a result, Bylmeti was prepared to cease the export and reduce purchases from farmers. KPEP decided to raise the issue with the Minister of Trade and Industry, who took up the issue personally with her counterparts in Albania. As a result, the Albanian authorities reversed their position and accepted invoice values. Kosovo dairy producers continue to export pasteurized milk to Albania and a new market for Kosovo dairy products has been opened.

- In cooperation with Bylmeti dairy and CFF (Crimson Finance Fund) Graqanica municipality has launched a project to support minority dairy farmers to increase their dairy herd. Using borrowed capital, farmers purchased pregnant heifer. Bylmeti dairy plant provided a guarantee to commercial banks by paying monthly installments through milk vouchers. The municipality will provide milk cooling tanks. KPEP is actively engaged in this project by donating portable milking machines to the first eight small scale dairy farmers and appropriate dairy management practices the farmers.

**Challenges**

- Though there was initial disagreement on reference pricing, documentary evidence was presented and Kosovo government officials resolved the issue with their counterparts in Albania.

**Activities Planned for the Next Quarter**

- Support the enforcement of bilateral trade agreements between Kosovo and Albania.

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## Livestock Industry: Poultry

### Objective 1: Expand poultry sector in Kosovo (New)

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#### Benchmarks

- **Konsoni broiler sales will increase by at least 50%, from 1,500 to 2,250 birds per day**

One of the most significant obstacles for growth in the Kosovo poultry meat sector has less expensive imports from Brazil and the US, coupled with low income levels for the majority of the population. Lately however, consumers have demonstrated a willingness to pay a premium price for fresh broilers. This development has opened the possibility for local producers to capture a fair share of the market.

Consumer willingness to pay a premium price for fresh birds enabled Konsoni, the largest broiler company in Kosovo, to maximize its profits and help the industry to develop. In order to improve competitiveness and meet the growing demand for fresh poultry meat, Konsoni is setting up a new broiler slaughtering line (with assistance from the EC rural grant scheme) with a slaughtering capacity of 4,000 birds per shift. The new slaughtering line will be operational by mid next year, more than tripling the firm's capacity.

- **At least three lead farmers begin turkey production with identified end markets for first year product.**

Because there was no interest among poultry farmers to grow turkeys for commercial purposes at this time, this activity was dropped.

**Additional Achievements**

Aves Prom is finalizing the construction of a modern broiler farm with a capacity of 4300 birds per cycle. Commercial broiler production, especially in North Kosovo, is a welcome mechanism to increase the supply of fresh poultry meat in the region.

**Challenges**

- Due to a change in environmental regulations, Konsoni asked KPEP to alter its grant agreement. As a result, instead of purchasing mobile broiler grilling units, the company will seek to purchase refrigerators that will be placed in retail stores and used to market fresh poultry meat.

**Activities Planned for the Next Quarter**

- Finalize the Konsoni grant agreement for purchasing refrigerators to market fresh broiler meat.

***Agriculture: Fruit and Vegetable***

	SAF Budget Estimate	International STTA	Local STTA
	\$200,000	24 days	100 days
Committed this quarter	\$0	0	0
Total committed to date	\$299,940	0	0
Remaining to be programmed	0	0	0

**Agriculture: Fruit and Vegetable****Objective 1: Improve fruit and vegetable production (Ongoing)****Benchmarks**

- **At least 10 farmers begin new hybrid variety cultivation previously demonstrated through pepper test trials in Year 2.**

This quarter, 12 farmers from the Perdrini association planted new pepper hybrid varieties across five hectares of open field cultivation. KPEP supported the promotion of mulch and drip irrigation systems in open field cultivation of peppers, watermelon and melon. KPEP also promoted the first module plantation machine of its kind in the Balkans. Located in Krusha e Madhe, the machine facilitated the planting of 20 hectares of grafted module watermelon seedlings.

The Elkos group entered into an agreement with the Perdrini association at the beginning of the season. This resulted in the doubling the output of vegetables in the Krusha e Madhe region.

- **At least five hectares of hybrid peppers produced with a commercial off take of 200 MT.**

Five hectares were planted using new pepper varieties in the Anadrini area. The expected yield is 400 Mt.

- **At least one new greenhouse seedling producer will enter the market for field vegetables.**

Nothing to report this quarter.

- **At least 50 new hectares of plastic mulch will be applied, extending the length of the season for tomato, pepper and watermelon production.**

Farmers in the Anadrina area planted more than 100 hectares using (1) plastic tunnels for early season cultivation and (2) mulch for further cultivation, which enhances the quality and productivity of cultivated vegetables. This technology also significantly extends the growing season.



*KPEP awarded a grant to the Perdrini Association for a module seedling planting machine.*

- **At least five input suppliers will begin providing extension services to grower clients, supported by local consultants as well as interns.**

These services will likely be included in the new greenhouse program, with additional support from Israel MASHAV. Prior to the close of this quarter, KPEP compiled a list of 100 farmers who accepted the Israeli greenhouse package. KPEP also worked with the Community Development Fund (CDF) to secure grants from the World Bank valued at €3,000 per unit (total €300,000) and from Raiffeisen Bank so that each farmer could pay the €7,200 required for the greenhouse

package. The ADAS BIO farmers association also recruited 30 farmers who agreed to be part of the project and who expressed an interest in the Israeli input package.

- **At least one seedling producer will begin automated seedling grafting and supply these to the market.**

The Fidanishtja e Godancit microenterprise is involved in greenhouse construction and vegetable seedling production. The microenterprise invested €50,000 to construct a nursery greenhouse for the grafting of seedlings. The organization successfully completed the first phase of the KPEP grant award for the Robot Grafting Machine, the first of its kind in the Balkans. This technology was first launched in Europe in 2006.

- **At least one mushroom cultivation farm will begin operation.**

Over €1 million has been invested in a Klina-based mushroom facility that will begin producing the Eriingy mushroom variety in October 2011. Kosovo plans to export these mushrooms to Western Europe, with the goal of replacing China as the main exporter of this variety of mushroom to the European market.

- **At least one company will enter commercial sterilized compost production for mushroom production.**

KPEP is currently in negotiations with the King Mushroom Company -- a part of the Dutch-South Korea-Kosovo partnership -- to facilitate production and promote mushroom compost production for the Shiitake mushroom variety. The production will be exported to Western Europe and KPEP plans to solicit advice from a regional STTA on mushroom compost production.

- **At least 100 new semi-skilled jobs will be created in the mushroom sector.**

At least 60 employees will begin working permanently in Eriingy mushroom variety production beginning in October 2011. Additionally, at least 100 farmers will benefit from Shiitake mushroom cultivation after receiving compost from King Mushroom. These farmers will cultivate 8 to 12 tons of mushrooms per month.

## Additional Achievements

An additional 19 agribusiness companies agreed to become KPEP clients in order to improve their financial and other data that is part of the KPEP Performance Based Monitoring System (PBMS). This brings the total number of fruit and vegetable client companies to 25.

Three client companies -- DST Product, Agroalbi, and Antonije -- received grants for greenhouse central heating systems that will extend vegetable cultivation for up to a total of 10 months.

Agroalbi will use this heating to dry vegetables for spice production.



*The Antonije Company in the village of Vaga, Zubin Potok Municipality; KPEP awarded the company with a grant to install a greenhouse central heating and a cold chamber for vegetable storage.*

## Activities Planned for the Next Quarter

- Kosovo agribusiness stakeholders and farmers visit Israel. KPEP has prepared a list of participants and a visit is scheduled for October 2011.
- Continue to work with the King Mushroom Company in Joshanica, Klina to launch mushroom compost manufacture in Kosovo.
- Continue to facilitate coordination for the 10-hectare greenhouse package between 100 farmer applicants, CDF, Raiffeisen Bank and Israeli companies, to finalize the greenhouse arrival in Kosovo in Q4.



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**Agriculture: Fruit and Vegetable****Objective 2: Make collection centers fully operational (New)**

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**Benchmarks**

- **Five medium and four small KPEP-supported pack houses will be fully operational in Year 3.**

With the exception of one medium and one small center that are in process of installing equipment and will beginning operation next quarter, all vegetable collection centers that received KPEP support for cold chambers and other equipment for vegetable storage operations, grading and packaging, are operational.

The total storage capacity of pack houses is 1,220 m<sup>2</sup> or 4,700 m<sup>3</sup>. These collection centers-pack houses will increase tonnage of Class I packed vegetables. Furthermore, the increased storage capacity will save approximately 1,000 Mt of vegetables from being ruined by frost.

- **Facilitation of at least one large scale pack house in Kosovo for 2012.**

KPEP is in the process of facilitating a public-private partnership to establish at least one large-scale pack house that can serve as a modern facility in central Kosovo. KPEP facilitated the visit of the Ministry of Agriculture's senior advisor to travel to and learn from best practices in Macedonia. The purpose of the visit was to better understand pack house scope and functionality. In partnership with the NOA project, full design specifications for the pack house will be ready during Q4. Commercial interest is already being seen at the supermarket chain Elkos indicates its intention to be active in Xerxe.

- **At least one commercial apple storage facility established to serve the needs of at least 20 ha of production.**

A Kosovo Diaspora investor is in the process of establishing a 400 m2 apple collection storage center in Bllagaja, Peje.

The Elkos group pack house center, which will serve as a storage facility for apples cultivated in the region, will be established in 2012.

#### **Activities Planned for the Next Quarter**

Continue fair visits in the region and in Europe that are related to post-harvest handling.

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### **Agriculture: Fruit and Vegetable**

#### **Objective 3: Improve and expand vegetable processing capacity and technology (Ongoing)**

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#### **Benchmarks**

- **Increase in vegetable processing capacity under HACCP certified conditions will lead to increased export sales of at least 2,000 MT of processed products.**

KPEP facilitated a B2B conference to secure vegetable raw material for two new vegetable processors that will become operational in Q4. Ask Foods confirmed its interest in 1,500Mt of peppers for processing. Hosa Fresh, as a new FDI investor, will begin pickling 200Mt of processed vegetables. Ask Foods is already HACCP certified; Hosa Fresh will begin the certification process in Q4. Both companies entered into an agreement with the Perdrini association on the delivery supply of vegetables for processing. KPEP clients requested more than 2000 tons of raw fresh peppers for processing.



*Hosa Fresh vegetable grading machine.*

- **At least one new processor achieves HACCP certification.**

Hosa Fresh (Edona S.a.r.l Switzerland – Kosovo), a new foreign direct investor in vegetable processing has already installed a vegetable processing line with KPEP technical support. This company requires further technical support on processing technology and HACCP certification. Fitimi Krusha Cooperative (a former association of widowed women), “Grate fermere”, and Rizona vegetable processors will begin the HACCP certification in Q4. KPEP offered support on modernization and increasing new and existing capacities. KPEP will further facilitate this process with technical support.

- **Edona (Switzerland – Kosovo), a new foreign direct investor in vegetable processing will complete its investment (with KPEP technical support) in a new processing unit.**

Edona/Hosa Fresh completed its first phase €105,000.00 investment in a vegetable collection-processing facility. The company will initially employ 15 workers and will increase employment to 70 workers in the second phase of the investment, which is planned for the end of 2011.

### **Additional Achievements**

KPEP supported Ask Foods, Bio Pak and Kelmendi GmbH to find export markets in the U.S. KPEP linked these companies with Rugova trading in New York while at the Fancy Food show in Q3.

## Challenges

- We found it challenging to identify a vegetable processing line manufacturer that both (1) supplied processing lines and (2) offered training on vegetable processing. KPEP is working with the IPSIA project in Kosovo, which has offered the help of a vegetable technologist free of charge (with the exception of accommodation).

## Activities Planned for the Next Quarter

- Research and identify vegetable processing manufacturers in the region in order to establish a vegetable processing line for Hosa Fresh as quickly as possible.
  - Continue facilitation between Ask Foods, Hosa Fresh, Fitimi, Intercoop, Bio Pak and farmers' associations to secure delivery supply of vegetables for processing.
  - Follow up on the 400Mt export of watermelon to Switzerland for Edona and Shalamultimarche.
  - Work with vegetable processing companies that are in the final phase of implementation with respect to granted machinery and equipment.
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## Agriculture: Fruit and Vegetable

### Objective 4: Expand existing markets and penetrate new markets (Ongoing)

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## Benchmarks

### Kosovo vegetable producers will:

- Export to at least one new market.
- Export at least one new crop for the existing export market.
- Provide the domestic market with at least two new products.
- Export at least 300 MT of the Cecei (Cila F1) pepper variety (tested in a 2010 test trial in Kosovo) to Switzerland.
- Achieve at least 4000 MT in export vegetable sales.
- Achieve at least €1.2 million in export sales of vegetables.



*Kelmendi Gmbh  
Manager Valdet  
Kelmendi and KPEP  
agriculture specialist  
agreed on the export  
of 4000 tons of  
vegetables to Europe*

All benchmarks will be realized during Q4 – the export season.

- Kelmendi GmbH has received a request from Sweden for 2000Mt of preserved cabbage, to be fulfilled in Q4, 2011.
- KPEP facilitated a delivery supply with the Switzerland-based Shalamultimarche Fruit and Vegetable trading company for 200Mt of watermelon exports from Kosovo for the 2011 season.
- The Dorucan watermelon and Sariga melon variety tested last year will be promoted to the domestic market this year.
- Edona S.a.r.l agreed to export all of its cultivated Cecei (Cila) pepper variety to Switzerland. The company also agreed to export the Abide pepper variety.
- Elkos and Perdrini agreed on the delivery supply of 2000Mt of peppers; they also entered into an agreement with Mamusha farmers for a 2000Mt supply of tomatoes.
- Perdrini and Intercoop, a potato processor, agreed on a 200Mt potato supply with a value of €32,000. KPEP worked with Perdrini and other commercial client farmers on a 4200Mt local delivery supply of vegetables for 2011.

The Fruit and Vegetable conference, a B2B conference that took place at KPEP, was instrumental in cultivating local interest for 6500Mt of vegetables for export and for local processing.

Two Perdrini commercial farmers rented land in Albania with the goal of planting watermelon in the early season and subsequently continuing to export watermelons cultivated in Kosovo.

The total amount of vegetables to be exported in Switzerland through KPEP facilitation is 400Mt for export.

KPEP facilitated a total export offer to Europe of 2,000Mt of fresh fruits and vegetables and 2,000Mt of fruits and vegetables for processing for 2011; this activity took place during a visit to Kelmendi GmbH in Germany and included the facilitation of local vegetable delivery supplies of 4,000Mt as well as 4,000Mt of vegetables for processing. KPEP's goal is to triple the amount of local vegetables for export facilitation for 2011. KPEP clients involved in the fruit and vegetable sector have secured approximately 12,000Mt of sales for Q4, with an average price of €0.22-€0.30 cents per kg, or a €3.3 million projection for Q4.

### **Additional Achievements**

KPEP worked with three client companies interested in attending the Fancy Food Show in Washington DC from July 10 to 12, 2011. ASK FOODS and BIO Pak delivered product samples to RUGOVA TRADING, a U.S. based food distributor. A contract between these companies will secure more Kosovo exports to US and EU.

### **Activities Planned for the Next Quarter**

- As a facilitator of all aforementioned linkages, KPEP must now build on this momentum during the busiest quarter for this sector. This includes working with clients to ensure that post-harvest handling activities progress smoothly. The goal is to fulfill exports of fresh vegetables and those destined for processing locally, regionally and in European markets.
- KPEP will make a concerted effort to follow up on the Fancy Food Show, especially action items from meetings with Rugova Trading. This includes taking steps to register Kosovo companies interested in exporting to the U.S. with the U.S. Federal Drug Administration (FDA). After the European Union lifted preferential status for Kosovo products, the U.S. market remains very attractive; KPEP facilitated participation in the 2010 Fancy Food Show in New York for both USAID Albania and KPEP clients. Due to Kosovo processing capacities, companies were not prepared to export to the U.S. in 2010 – a situation that is now reversed.
- Work with export companies, as well as with local hypermarket chains, to fulfill exports that have been confirmed.

- Prepare for the Diaspora business conference planned for the end of October 2011.
  - Work with the Ministry of Agriculture, Kosovo Customs' authorities and other stakeholders avoiding any possible obstacles to vegetable export during the next quarter.
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## **Agriculture: Fruit and Vegetable**

### **Objective 5: Improve business practices of farmer associations (BSS new activity)**

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#### **Benchmarks**

##### **At least five associations to be transformed into cooperatives**

- This quarter, the Perdrini association in Krusha e Madhe has taken all necessary steps to become a cooperative, complete with a new organizational structure.
- The Adas Bio association of Gjakova is in the process of undertaking the process of transforming itself into a cooperative.
- The Perdrini association received legal advice on how to transform itself into a farmers' cooperative. Perdrini became a full-fledged cooperative in Q3, with full business and legal responsibilities.
- The Adas Bio board of farmers agreed to undertake the process of transformation and in Q4, KPEP will finalize its support to Adas Bio on legal issues.

***Agriculture: Non Wood Forest Products***

	<b>SAF Budget Estimate</b>	<b>International STTA</b>	<b>Local STTA</b>
	\$170,000	24 days	90 days
Committed this quarter	\$100,588	0	0
Total committed to date	\$100,588	0	0
Remaining to be programmed	\$69,412	0	0

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**Non Wood Forest Products****Objective 1: Increase capacities by improved collection, processing and marketing (Ongoing)**

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**Benchmarks**

- **At least three new firms will acquire HACCP certification**

During this reporting period, the *Besiana Company* acquired HACCP certification with the support of the Sigma Company. *APS* is still in the process of securing HACCP certification as a result of restructuring its operations. The MD Company, which supports *Scardus Comp*, the *Rugova cooperative* and *Agropeti Comp*, has already completed all necessary documentation for initiating the HACCP certification for Scardus and Agropeti. Because the Rugova cooperative lacked adequate infrastructure equipment for HACCP certification, KPEP awarded the cooperative a grant to purchase this equipment in order to begin the HACCP certification process. Agropeti and Scardus are expected to finalize the process within two weeks. Rugova is expected to finalize the HACCP certification within a month because infrastructure equipment upgrades have not yet been completed.



- **At least three new firms will acquire organic certification**

Nothing to report during this quarter.

- **Sales of NWFP will increase by at least 40% over 2010 levels**

NWFP sales increased by 25% during this quarter; KPEP anticipates that sales will increase by 40% by the end of the collecting season. Prior investments carried out by leading companies in the NWFP sector on the enlargement of processing, cooling and freezing capacities will serve as a foundation to further increase NWFP sector sales in the coming years.

- **At least three new retail brands enter the market**

Nothing to report this quarter.

### **Additional Achievements**

New buyers from the European Economic Area (Germany, Austria) that have already established business relationships with local companies showed an interest in assisting APS and Hit Flores to add value to their products.

### **Challenges**

- A number of companies lack the (1) building infrastructure, (2) basic equipment required for HACCP implementation, and (3) plant planning and organization systems. Other companies, such as APS, are in the process of reconstructing their facilities, which delays the HACCP certification process.

### **Activities Planned for the Next Quarter**

- Ensure that five companies implement HACCP and sell products carrying the certification before the end of October 2011.
- Raise awareness and further support companies to obtain bio-organic certification for (1) commodities collected in hilly areas and (2) for organic herb cultivation.

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## Non Wood Forest Products

### Objective 2: Improve linkage to international markets (Ongoing)

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#### Benchmarks

- **At least three new marketing plans adopted and implemented by lead firms.**

This activity is still in progress.

- **NWFP firms participate in at least two trade fairs**

No significant trade fairs specific to the NWFP sector were organized during the reporting period.

- **Kosovo exports NWFP to at least two new markets**

Two specialists from the Austrian herb processing company Sonnentor visited APS and its production fields in order to (1) gain more insights on herb cultivation and (2) to explore opportunities to buy cultivated herbs from APS.

Hit Flores Company successfully negotiated a sales contract with Krauss, a German processing company, for the export of an additional 300Mt of juniper berries and a small amount of rosehips and herbaceous leaves. Hit Flores anticipates that exports of rosehips and herbaceous leaves will increase in the near future.

#### Additional Achievements

KPEP offered assistance on negotiations with municipal authorities in Dragash/Dragas to speed up the planning and approval process for regional companies that require larger facilities in newly created industrial areas outside the town. Hit Flores was the first company to receive the location permit to build a new plant; the company is currently in the construction phase.

**Challenges**

Our challenge, as in past quarters, is to (1) increase the cultivation capacity for herbs and (2) encourage farmers to switch from cultivating vegetables to herbs by using organic methods of production.

**Activities Planned for the Next Quarter**

- Continue to support APS to maintain existing business relationships with Martin Bauer Ag Comp, Weleda Comp, and Bionorica Comp.
- Continue to support Hit Flores as it undergoes reconstruction of a new plant; assist the company as it develops a business plan for new processing, cooling and storing capacities at the new plant.
- Provide technical assistance to Fungo FF for trials of new cultivated mushrooms.

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## Non Wood Forest Products

### Objective 3: Identify new product/market opportunities (Ongoing)

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#### Benchmarks

- **At least 50 Mt of wild harvest chestnuts exported**

KPEP supported the APS Company to open a new market for chestnuts in Europe; APS has secured a gentleman's agreement with two Diaspora companies -- Kelmendi and Babana -- to buy local wild harvest chestnuts. Kelmendi company representatives will visit Kosovo to finalize the agreement prior to the harvesting season during Q4.

- **At least one value added market opportunity and action plan completed and implemented as necessary**

KPEP successfully supported new variety establishment trials of raspberries in Strpce/Shterpce and offered technical assistance for raspberry fields in Dragash/Dragas. Moreover, KPEP in cooperation with the MVM farmers association in Shterpce, will continue to test local market response for small scale packaging of fresh raspberries.

#### Additional Achievements

KPEP encouraged the planting of raspberries in Strpce/Shterpce, a region that is committed to ecological production and agro-tourism. KPEP supported variety establishment trials of raspberries in Shterpce (with the same varieties of raspberries used in Dragash/Dragas) in partnership with a local farmers' association that is cultivating the fruit without the use of chemicals or fertilizers.

## **Challenges**

The main challenge remains the extent of penetration of sweet organic edible chestnuts in a larger market. With respect to raspberries, the challenge will be the responsiveness of the local market to the new product.

## **Activities Planned for the Next Quarter**

- Continue extensive research on the international market for chestnuts.
- Continue to create more linkages between local and international chestnut companies.
- Use the KPEP marketing network in order to initiate value added sales of raspberries in the local market.

## **Additional achievements**

Raspberry Cultivation - KPEP has determined an increasing interest in raspberry cultivation in the regions of Strpce/Shtrpce and Dragash/Dragas. This has resulted in increased interest in making the establishment trial site in Strpce/Shtrpce a foundation nursery for expanding plantings during the next production cycle.

During the course of field work, KPEP attempted to identify vegetable producers with an interest in herb cultivation either (1) as a major activity or as an activity that was (2) supplementary to crop rotation of vegetables. As a result, cooperative farmers, farmers' associations and individual farmers asked the KPEP specialist for marketing assistance in order to sell their products to local markets and supermarket chains.

**Forestry: Forests**

	<b>SAF Budget Estimate</b>	<b>International STTA</b>	<b>Local STTA</b>
Workplan	\$25,000	30 days	20 days
Committed this quarter	\$19,800	10	0
Total committed to date	0	0	0
Remaining to be programmed	5,200	20	20

**Forestry: Forests****Objective 1: Forest certification through Forest Stewardship Council (Ongoing)****Benchmarks**

- **FSC will approve the Kosovo Standards for forest management**

The standards development group application for accreditation of the Forest Stewardship Council (FSC) standard for Kosovo is currently under review at the FSC International Centre Policy and Standard Unit. KPEP recently received confirmation from FSC International's policy manager that the Standard Development Group (SDG) application is due to be finalized in Q4.

After receiving the final FSC comments from the FSC Policy and Standards Unit, KPEP organized a SDG workshop to incorporate these comments and remarks, which concluded with the drafting of the final version of the FSC Standard for Kosovo (version 3.1). The latter version was approved at the same meeting via consensus and submitted to FSC for approval. Review and potential approval of the Standard will take place during the FSC's Assembly meeting expected to take place in August 2011.

- **At least three targeted training events conducted at local/community levels for implementation of the FSC approved standard**

KPEP has conducted one out of three planned training events in Dragash/Drigas municipality with all relevant local governmental and non-governmental stakeholders interested in forestry. The training was an opportunity for key stakeholders to understand the development process of the FSC standard. The session also shed light on FSC requirements that must be applied in forest management operations, benefits of FSC certification and the challenges that Kosovo faces to achieve preconditions for forest management certification.

KPEP has conducted the second planned training to implement the FSC approved standard in the Kaçanik/ Kaçanik municipality. The provision of training events for the local community was carried out in cooperation between KPEP and KFA personnel, who are transferring their knowledge of FSC requirements into the daily operations of forestry related stakeholders. Trainings were conducted to cover the areas of two KFA offices in Prizren and Ferizaj and the municipalities of Drigas/ Drigas, and Kacanik/ Kaçanik. Representatives from other municipalities, including Decane/ Decani and Peja were included. The purpose of these trainings was to (1) raise awareness about the need for improvements and to (2) commence implementation of the FSC requirements on the ground. The needs that must be addressed include (1) operations management, particularly planning and monitoring, and (2) public environmental and social concerns related to forest utilization. Protection of labor rights in management units for certification, and procurement and record keeping practices are also issues that must be addressed. An additional purpose of the training was to brief participants about the progress of the FSC Standard for Kosovo.

- **At least one training event for MAFRD staff on requirements for oversight of new Forest Standard.**



Field training for the Ministry of Forestry and Rural Development internal audit team.

The training was held in Kacanik, in the management unit in Ahishte.

During the second quarter, KPEP worked on preparations for the planned training, which is scheduled for the third quarter. KPEP provided municipal forest authorities with information about the objective of this training. During the third quarter, KPEP conducted a two-day training session for forest officials at MAFRD, KFA, DF and Municipal forest directorates with respect to the main principles of FSC audit and the steps that take place in the process prior to FSC certification. This training provided opportunities for 20 individuals to improve their theoretical and practical skills on the auditing process. Operational forestry professionals also learned about (1) the specific aspects of Kosovo forestry operations, (2) the predominant areas for non-compliance and (3) where most of the effort is needed in order to fill the gaps and meet FSC requirements before the start of the pre-audit process.

- **Kosovo-specific Chain of Custody (CoC) guide**

The Chain of Custody Certification (CoC) has already been presented to wood processors in a meeting with the senior members of the Association of Wood Processors of Kosovo. This is of crucial importance due to the strong linkages between the sectors. The CoC guide materials are translated and edited. The CoC guide will be ready in Q4 in a brochure form.

- **At least two professionals trained in Kosovo FSC application.**

KPEP supported two forest professionals to observe proceedings of the FSC forest certification audit carried by Soil Association Woodmark at the Hrvatske Sume Company in Croatia. The visit



was instrumental in preparing the Kosovo Forest Agency to introduce FSC into the Kosovo forestry industry. It was also an opportunity for the KFA to observe the actual experience, the necessary procedures and the documentation needed to comply with the standard. The KFA will subsequently implement the very useful lessons learned for Kosovo to facilitate introduction of forest certification.



On the job training of Kosovo officials by Woodmark Soil Association during an audit process of Hrvatske Sume in Croatia.

- **Kacanik and Dragash/Dragas complete first forest standard audits.**

There is nothing to report during this quarter, since the FSC standard has yet to come into force.

### **Additional Achievements**

KPEP engaged the Natural Resources Solution Company to conduct an assessment of 10 sample plots in oak, beech and spruce forests in five selected municipalities: Istog/Istok, Suhareke/Suva Reka, Dragash/Dragas, Kacanik/Kacanik and Novoberde/Novo Brdo. The results from the assessment were presented during three workshops in Istog, Suva Reka and Novoberde/Novo Brdo. The participants discussed the findings and offered feedback and recommendations on how to treat certain categories of forests in order to improve overall forest functions and fulfill community needs. Output from these workshops is incorporated into a draft Administrative Instruction that was submitted to MAFRD's Forestry Department, for further processing and approval in order to regulate treatment of this category of forests. In the

meantime, this Administrative Instruction did not proceed pending the review of the new Forestry Law. Nevertheless, results of this assessment is being applied in the field and incorporated into FMU annual plans. For this year, KPEP anticipates that 162.46 ha of young stands will be treated across Kosovo.

- KPEP started a project supporting pre-commercial cleaning and thinning of young stands that will undergo silviculture treatment in Northern Kosovo. KPEP anticipates the project will cover nearly 300 ha. Thus far, KPEP has identified the forest areas in question and have tested two experimental plots. KPEP has engaged professionals to evaluate the environmental impact of these operations. The grant will be issued to M&A Leposavic to implement silvicultural treatment for 162.46 ha in the Leposavic and Zubin Potok area (20 locations). This project will provide employment opportunities for 60 workers for a four-month period. Initiation of this project will take place during Q4.
- KPEP continued to share achievements on the FSC standard development process and forest certification with forestry sector donors, including SIDA, SNV, FAO, EU and the Finnish and the Norwegian embassies. KPEP is also involved in the Managing Board of the PM's Office as observers, where USAID and EU donors have member status.
- KPEP has granted € 14 thousand to the Non-governmental organization Mali to conduct an education campaign on forest protection in Suhareka, Dragash/Dragas and Junik. The awareness campaign includes essay competition, painting competition and youth camps in which students



will produce seedlings, to be planted in October. In Q3 the NGO has made agreements with municipal education directorates and has selected the schools and implemented the further activities: writing of curricula; lecturing of curricula; cultivation of seedlings; announcement of competition for herbarium, essay, painting and photography. In the next quarter the camps will be held and winners announced.

**Challenges**

- Supporting relevant forestry institutions to improve implementation of the current legislation and change their planning and operational procedures according to the FSC requirements while respecting environmental, social and business interests of all interested groups was a challenge this quarter.
- Obtaining approval from the Forest Stewardship Council on the FSC Standard for Kosovo following final submission of the Kosovo Standard.
- 

**Activities planned for the next quarter**

- Continue to coordinate the work of the Kosovo Standard Development Group (SDG) in order to complete the FSC standard for Kosovo; prepare and certify two Forest Management Units for preliminary audit and certification.
- Prepare and provide technical support to three wood processing companies to introduce and start CoC Certification.
- Adopt a short version of the FSC guide for AWPK members on FSC requirements for CoC certification.
- Continue to support the Kosovo Forest Agency and Municipal forest authorities to meet the FSC requirement on management units selected for FSC forest certification.
- Offer technical support to forest authorities in Leposaviq and Zubin Potok to prepare an operation plan for cleaning activities on young stands that require silviculture treatment of approximately 162 ha as part of the proposed cash for work program.
- Continue donor coordination/synergy development activities in the forest sector.

## **Forestry: Wood Processing**

	<b>SAF Budget Estimate</b>	<b>International STTA</b>	<b>Local STTA</b>
Workplan	\$322,000	67 days	53 days
Committed this quarter	\$0,00	0 days	0 days
Total committed to date	\$170.397,74	49 days	5 days
Remained to programmed	\$0,00	18 days	0 days

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### **Forestry: Wood Processing**

#### **Objective 1: Expand market share and develop new products (Ongoing)**

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#### **Benchmarks**

- **KPEP assisted firms to develop at least three new products.**

KPEP engagement on pursuing new product ideas has been a continuous process during this reporting period. KPEP has closely worked with five companies that directly impacted the development of new products.

KPEP continuously instills in companies the importance of producing finished products according to international market supply and demand. This way, local companies can become more attractive in regional and international markets.

KPEP is working to increase competitiveness for local manufacturers in the local market. As a result, products developed and produced for export markets can also be sold in the domestic market. According to recent data, raw materials imports for this reporting period have increased by 20% in comparison with 2010 figures – indicating a strong increase in local production.

As part of our promotion strategy, a wide range of wood processing products were introduced into the local market at the 2011 Natyra trade wood products and furniture fair; 54 wood processors

and furniture manufacturers from Kosovo and five countries in the region had the opportunity to exhibit their products. According to AWPK sales estimations, generated revenues will reach € 1.1 KPEP also continued to work with Elnor, Daqa and Hoti to prepare products for exhibit at the furniture fair in Budva, Montenegro.

- **Supported firms export new products to at least two new markets.**



On the left, opening of the Natyra fair. On the right, furniture exposed in the fair from Elnor a KPEP client.

KPEP and STTA William Vernon worked with Tefik Canga Design, Lesna In Design and Ku&Ba to develop a new range of products as demanded by a new market in Ghana.

KPEP supported the exhibition of wood and furniture products at *35 Furniture Fair* for household, office and indoor decoration on from 6<sup>th</sup> to 10<sup>th</sup> of April in Budva, Montenegro.

AWPK members Elnor, Daqa and Hoti, exhibited their products at the traditional furniture fair in Budva, Montenegro. As a result of this participation, companies reported €92,000 as export sales to Montenegro. Through a fruitful partnership, Elnor and Daqa have secured their product presence in the Montenegro market.

SAF and other KPEP components supported this activity.





A group of AWPK members at the Fair



DAQA playground products at the Budva Fair



HOTI hand-carved products at the Budva Fair



Elnor chairs and tables, which were well received by the Montenegro market

- **Sales and furniture design interns are placed in at least three firms.**

Postponed for Q4.

- **National furniture design competition increases understanding and awareness of the importance of design capacity in the furniture sector as measured by the number of designers employed in the sector.**

The activity is canceled for this year. The design competition project is postponed for next year due to complexities related to its execution and implementation.

- **At least one major order placed with local manufacturers from a new institutional buyer.**

No activity during this quarter.

- **At least 30 carpentry interns placed.**

Implementation of this activity started at the end of Q3. KPEP anticipates that 30 interns will be placed with an array of different companies during Q4.

- **At least 20 marketing and furniture design interns placed.**

Implementation of this activity started on the end Q3. KPEP anticipates that 20 interns will be placed with an array of different companies during Q4.

- **Furniture design competition supported by interns attracts more interest as measured by the number of interns engaged in this area.**

This benchmark is planned to be implemented in 2012. The reason for postponing is the implementation of the internship program later than initially planned.

## **Challenges**

Due to challenges specific to the transportation of goods, Kosovo exporters are finding it difficult to compete in European markets. KPEP is nevertheless continuing to support wood processors in developing their products for export markets. This strategy, which increases competitiveness has been effective in increasing the local production share by more than 20%. Due to the aforementioned issues, Kosovo furniture manufacturers will focus on increasing market share in local and regional markets. The Budva, Montenegro; Skopje, Macedonia; and Tirana, Albania furniture trade fairs present the ideal opportunity to penetrate further into these markets. KPEP will work closely with AWPK to secure financing support.

## **Activities Planned for the Next Quarter**

- Prepare for the September 2011 Wood Processing and Furniture Fair in Tirana, Albania.
- Start internship program for Marketing and Design personnel.
- Continue to search for regional export opportunities and monitor local market penetration.

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**Forestry: Wood Processing****Objective 2: Improve production capacity and business practices of wood processing firms (Ongoing)****Benchmarks**

- **At least three firms are able to produce products that meet EN or other internationally recognized standards.**

Elnor Company a KPEP client became certified with ISO 9001. The KPEP support for this certification was indirect, during the last quarter when the company received staff training from an international consultant.

- **At least two companies adopt HR training outcomes and modify their HR management practice.**

Activity completed in previous quarter.

- **Faculty of Applied Sciences develops and adapts curriculum for Design and Wood industry technologies, and wood processing workshop layout.**

This activity was dropped.

**Additional Achievements**

Lesna In Design inaugurated a new furniture manufacturing facility in Lipjan municipality; The Lesna group made investments valued at € 2 million and created 52 new jobs.

Kitchen cabinets manufacturer Gacaferi opened a new show room in Pristina. Gacaferi also produced a new technical kitchen cabinets catalogue jointly with other promotional materials; the SAF component offered financial support for the production of these generic technical catalogues; Gacaferi has made significant improvements to increase the domestic market share.

With KPEP support, the Ahikos Company has created a modern manufacturing line for producing cabinets.



With KPEP support, the Hilmi Deva Company received EU funding from the IOM EU – CSP project for a foil press unit. As a result, the company has increased its range of products. KPEP worked with three wood processors to apply for CDF grants, two of which have been approved and one of which is in the process of being approved. KPEP engagement consists of offering advice on marketing planning and improving the manufacturing process at the Ardi and Mebelstil companies.

#### **Activities Planned for the Next Quarter**

- Work in close cooperation with AWPk to implement internship program,
  - Work with companies to improve their marketing management skills,
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#### **Forestry: Wood Processing**

##### **Objective 3: Strengthen the Association of Wood Processors of Kosovo (Ongoing)**

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#### **Benchmarks**

- **AWPK develops annual strategic plan**

Accomplished in Q2.

- **AWPK is able to cover at least 50% of the annual cost of implementing the annual strategic plan**

The BSS Component will assess and quantify the progress of the AWPk Association at the beginning of Q4.

- **Increase in the AWPk Association Development Index score from its current rate of 3.1 to 4**

The BSS Component will assess and quantify the progress of the AWPk Association at the beginning of Q4.

- **Introduce at least one new member service and create a standard payment process for its members**

Accomplished in Q2.

### **Additional Achievements**

KPEP supported AWPk to compile its annual operational plan. A number of promotional events have been organized by AWPk. The exhibition of wood processors in Budva, Montenegro and Natyra 2011 were AWPk's main activities this quarter. These two activities received financial support from the KPEP SAF component.

AWPk organized a visit to LIGNA, a worldwide wood processing technology fair in Hanover, Germany; 12 individuals from 9 companies participated in the fair.

AWPk established a good relationship with the European Federation of Furniture Manufacturers (UEA) and the association of British Furniture Manufacturers (BFM). In this regard, UEA and AWPk organized a series of activities including a two day seminar called: "European requirements for the furniture industry".

### **Activities Planned for the Next Quarter**

- Support AWPk to implement its annual plan.
- Support AWPk to develop and implement an internship program for Marketing and Design personnel.

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## Forestry: Wood Processing

### Objective 4: Promote use of biomass as an alternative energy source (Ongoing)

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#### Benchmarks

- **At least two biomass-producing firms increase production capacity**

KPEP financial and technical assistance to the Thes Ari Company in Klokot has resulted in increased manufacturing capacities. Previously, Thes Ari had supplied equipment for drying wood chips, silos, transportation systems and pellet manufacturing line. The company is now in the process of installing and testing all production systems. KPEP has offered financial support for drying systems. Following this investment, manufacturing capacities for briquettes will increase by 100%, and wood pellets will be produced for the first time. With KPEP support, Thes Ari received financial support from the Swiss organization SECO, for supplying and installing a pellet manufacturing unit.

#### Additional Achievements

KPEP encouraged the German company Brennholzhandel – Krey to start investing in the processing of forest biomass as an energy resource. Brennholzhandel – Krey made the initial step by registering its business in Kosovo. A KPEP produced biomass study allowed all four companies to properly carry out business planning.

#### Challenges

- Though KPEP has witnessed increased demand by client companies to support investment of biomass usage, KPEP SAF cannot further support this demand. KPEP will be using the derived demand to stimulate investment using alternative funds from other interested donors and investigate the opportunity for developing a biomass investment fund.

#### Activities Planned for the Next Quarter

- Continue to promote biomass usage and stimulate investment interest in this sector from other donors and financial institutions.

**Construction: Road**

	SAF Budget Estimate	International STTA	Local STTA
Work plan	\$274,000	50 days	0 days
Committed this quarter	\$0	0	0
Total committed to date	\$260,810	0	0
Remaining to be programmed	\$0	0	0

**Construction: Road****Objective 1: Improve local road design capability (Ongoing)****Benchmarks**

- Government (MTT) officials are trained on how to pursue and conduct contractual and supervisory procedures for road design according to international practices, including:
  - Using the model RFP/Contract for the design of engineering services, both preliminary design and detailed engineering design.
  - Using the model RFP/Contract for construction.
  - Using the model RFP/Contract for engineering supervision work.

The pilot road activity has been dropped from the KPEP work plan due to GoK budget constraints and this benchmark cannot therefore be realized.

- A certification/specialization program on road design and construction supervision is made available to Kosovo engineers and delivered to:
  - At least 25 Road Design and Road Construction – Graduate Engineers.
  - At least five technical government staff (MTT).
  - At least ten post-graduate students from the Faculty of Civil Engineering.

On May 24, the Road design course certification ceremony took place at the University of Pristina's Faculty of Civil Engineering and Architecture; 30 engineers who participated in the training were present at the ceremony and received course completion certificates. Dean of the Faculty of Civil Engineering Naser Kabashi and a USAID representative spoke at the event.

Participants included:

- 10 participants from the Road Construction Industry
- 11 participants who are carrying out graduate studies
- 7 participants from the Ministry of Transport and Telecommunication
- 1 participant from the Municipality of Pristina
- 4 participants from the University (Professors and Teaching Assistants)

### **Activities Planned for the Next Quarter**

- KPEP, UP (the University of Pristina) and TTI (Texas Transportation Institute) will cooperate to identify possible sponsors for another round of the road design course at the Faculty of Civil Engineering. The two-week course is scheduled to take place in November 2011.

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## **Construction: Road**

### **Objective 2: Upgrade skills of construction workers (Ongoing)**

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#### **Benchmarks**

- **HEOTC site and partnerships established.**
- **HEOTC established as an ultimately self-sustaining entity.**
- **At least two new HEOTC courses completed.**

KPEP identified the KEK Training center (KEK JSC) as a key partner for the establishment of the Heavy Equipment Training Center; KEK is heavily involved in the usage of heavy equipment machinery for its daily operations, including coal mining. USAID selected the HeviCert Company to implement this activity and establish the training program. HeviCert is highly experienced in establishing VET Heavy equipment training programs.

This activity encompassed two rounds of training, which generated 34 certified heavy equipment operators and 7 qualified instructors. As a result of this successful initiative, KPEP anticipates that the training certification project will continue on a sustainable basis.

KPEP provided the training center of KEK JSC with a (1) sustainability plan and a (2) strategy on how to generate income from different sources in order to become financially self sustainable.

- **Accreditation of the KEK Training Center (VTC) to provide internationally recognized training**

This activity will take place in Q4.

- **Certification of at least 15 welders to higher grades.**

We have selected the contractor and have signed the contract. The implementation of this activity started at the end of Q3; 8 welders from KEK Training sector and representatives of the private sector were identified to receive training and certification as internationally recognized trainers. Training will be conducted during Q4.

### **Additional Achievements**

KPEP (via HEOTC) addressed the social problems associated with unemployment by offering this demographic group valuable skills currently in demand by Kosovo road construction companies. Companies will benefit from this initiative via more effective implementation of their heavy equipment resources and increased personnel utilization. Based on this successful initiative, KPEP is planning to engage different stakeholders, including international donors and implementers and government ministries.

### **Challenges**

Problems related to the completion of KEK administrative procedures delayed the start of the first training cycle; moreover, KEK lacked the contractual equipment needed for the first training cycle, which resulted in severely limiting its ability to conduct effective practical training. Although these constraints were effectively overcome, permanent resolution remains an issue.

**Activities Planned for the Next Quarter**

- In close cooperation with KEK JSC, supervise implementation and follow up on the sustainability of KEK's training center for Heavy Equipment operators and Welders.
  - Coordinate activities and manage the relationship between private sector companies such as Bechtel and Enka, and other construction companies
  - Supervise the local accreditation process of two training programs, HEOT and Welders.
- 

**Construction: Road****Objective 3: Promote employment in road construction industry**

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**Benchmarks**

- At least one construction sector job fair completed

Due to a lack of interest from construction companies, KPEP has decided to drop this activity from the annual work plan:

- At least 25 university students engaged in internships
- At least 30 interns placed in the sector (up from 11 in Year 2). At least 15 candidates provided with full-time direct employment placement from job fairs.

Due to a lack of demand from the construction industry, KPEP has postponed this activity for late Quarter 3/beginning of Q4.

**Challenges**

- Construction companies' interest in job fairs and internship programs has either stopped or postponed some of the planned activities.

**Activities Planned for the Next Quarter**

- Follow up with the RCAK association on the internship program.



**Construction: Materials**

	SAF Budget Estimate	International STTA	Local STTA
Work plan	\$180,000	35 days	20 days
Committed this quarter	\$ 6,500	0	0
Total committed to date	\$152,500	0	0
Remaining to be programmed	\$ 28000	35	0

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**Construction: Materials****Objective 1: Improve architectural design and engineering services (Ongoing)**

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**Benchmarks**

- Establishment of a system for professional licensing of architects and engineers by the end of 2011.

On May 18, following an intense KPEP effort to push forward the process, MESP Minister Dardan Gashi approved and signed the Administrative Instruction to create a licensing system for architects and engineers. Approval of this Administrative Instruction is one tangible step toward a policy definition for the function of creating a licensing system.



The Minister of Environment and Spatial Planning, Dardan Gashi (in the middle) during the signing ceremony of the Administrative Instruction of Architects licensing.

The new Administrative Instruction became a bylaw of the existing 2004 Construction Law; it supersedes Administrative Instruction number 44, Protocol number 05/05 dated 19 April 2005 and Administrative Instruction number 45, Protocol number 06/05 dated 19 April 2005. The new bylaw defines all requisite procedures on how to create and manage professional examination and licensing for architects and engineers.

Further specific documentation required will include the following:

- Develop a legislative instrument required to establish (and to define the role of) Boards to administer the professional examination process for each profession (Architects and Engineers)

The Administrative Instruction was approved this quarter. Implementation of the bylaw is the next step for MESP and stakeholders. Implementation also includes preparation of the following documents as annex regulations:

- Documents establishing the procedures for the examinations (documentary administration and examination tribunals);
- Documents establishing the principles of the examinations for each profession;
- Documents establishing the draft examinations;

The three benchmarks outlined above are part of the work required for the implementation of the Administrative Instruction.

- The legislative instrument required to establish or re-establish the respective professional chambers;
- By-laws and operational rules to be adopted by the governing body of each professional chamber (including membership criteria, professional discipline, administration, subscriptions and so on);
- In due course, the legislative instrument is required in order to transfer the functions of the Boards to their respective professional chambers.

The three benchmarks outlined above are achieved this quarter including the approval of the new Administrative Instruction. Specific articles in the Administrative Instruction regulate procedures on establishing professional chambers.

- **A sustainable and fair system for professional licensing of architects and engineers**

During implementation of the Administrative Instruction, KPEP will continue to support MESP through STTA expertise, a KPEP local consultant and advice to MESP to secure a fair and sustainable system.

### **Challenges**

- Because the new MESP Minister was not elected until March, the approval of the Administrative Instruction was postponed to May 18.
- Continuing KPEP support to MESP and other stakeholders is now up to the new Minister, as he nominates Temporary Board members regulated by the Administrative Instruction. As soon as a Temporary Board is established, KPEP will engage an STTA to continue supporting the Board to implement the Administrative Instruction.

### **Activities Planned for the Next Quarter**

- Once the Minister nominates MESP Temporary Board members, KPEP will continue its support to MESP in implementing the Administrative Instruction. KPEP will support some of the activities that will be identified during the MESP Board discussions. KPEP will engage an STTA advisor in this process.
- The KPEP STTA will initially prepare a business plan for the implementation phase. The plan will primarily be used to leverage potential financial support from donors in order to implement the newly approved Administrative Instruction. MESP will fund part of the implementation phase, however the MESP budget is insufficient to cover all implementation costs.

- The implementation process will also support the preparation of other annex regulations.

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## **Construction: Materials**

### **Objective 2: Assist selected building materials manufacturers to be more competitive in meeting local, regional and international demand (Ongoing)**

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#### **Benchmarks**

- **At least five manufacturers use KPEP assistance to grow and become more competitive in the market.**

Approximately nine building materials manufacturers currently receive direct KPEP assistance in the form of (1) manufacturer's business observation visits and consulting advice, (2) investment cost sharing grants, and (3) researching industry trends and familiarizing government institutions with the main problems facing the construction materials industry. Other manufacturers receive support indirectly. KPEP intervention to support the construction materials industry takes place on two levels: the enterprise and industry levels.

In Q3, KPEP supported five clients to participate in the 10<sup>th</sup> Annual EXPOKOS Construction Materials, Energy, Technique and Furniture Fair held May 18 – 21, 2011 in Pristina. Building materials manufacturers participants included: clay bricks manufacturer Rizam from Krushe, Prizren; Vinex, a metal processing company from Viti; Extracolors, a paints and plasters manufacturer from Vushtrri; the Prizren-based metal processing company Profimetal and PVC / aluminum windows manufacturer, also from Prizren. The fair provided an excellent opportunity for these companies to promote their products in a trade fair environment. Participation allowed companies to establish contacts for future business. KPEP cost-shared 70% of the participants fee.



KPEP client Rizam (left) and Vinex (right) in construction material fair – Expo Kos



Extracolors and Vinex participation in the fair was particularly successful. Extracolors established 150 new contacts and is in the process of negotiating the export of its products to Montenegro, Albania and Macedonia. The company noted a 10% increase in sales following the trade fair (in comparison with the same period last year).

Vinex successfully negotiated a €22,000 transaction with Bechtel, mainly for the sale of ground metal stairs for infrastructure holes. Furthermore, Vinex sold 10,000 sq/m greenhouses soon after the fair; at a price of €10 per sq/m which resulted in €100,000 of new sales. The company has entered into discussions with seven potential clients for guardrails. Further outcomes of the fair are yet to be determined.

Clay bricks manufacturer Rizam was the only Kosovo clay brick manufacturer present at the fair. Rizam was enthusiastic about the opportunity to participate in Expokos and exhibit its products in Eastern Kosovo.

On May 5, KPEP organized a roundtable discussion with all seven existing Kosovo clay bricks manufacturers. The focus of the event was to discuss mutual challenges for business growth and strategies for eliminating existing business barriers. Participating companies included: Brickos from Kamenice; Niki S from Gjakove; Rizam from Mamushe; Tulltorja from Landovice; Ringovi i ri from Peje; Euroblllok from Podujeve and Vllezerit Geci from Skenderaj.

A Ministry of Finance advisor was also present for the event. Key issues discussed included:

- Kosovo Customs should allow the import of heavy oil that has a sulfur content higher than 2% ; this is common practice in all neighboring countries and would lower production costs for manufacturers, in turn allowing them to be more competitive in the market.
  - Complicated procedures at the Mainlining and Minerals Commission should be simplified.
  - The high price of KEK electric energy during the winter season. In some neighboring countries, manufacturers receive energy price discounts.
  - The prevailing recommendation was to create a new association that would lobby the government on behalf of the industry. This activity spurred Kosovo Chamber of Commerce president Mr. Gerxhaliu to meet with all clay bricks manufacturers and convince them to organize a separate group within the Kosovo Economic Chamber. KPEP will keep a close eye on how clay bricks manufacturers defend the interests of their industry.
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- **At least three firms develop new markets as a result of applying international production standards to their manufacturing processes.**

Rizam Holding, a clay hollow bricks manufacturer, receives KPEP support for the purchase of equipment to establish an internal lab that ensures the quality of raw materials, the production process and final products. Rizam will be expected to take advantage of opportunities to export to Northern Albania.

Extracolors is making progress toward export; KPEP anticipates seeing the positive results of the company's activities soon.

- **Three locally manufactured building products received international certification.**

KPEP continues to encourage building materials manufacturers in Kosovo to produce products in accordance with Kosovo's European harmonized standards adopted by the Ministry of Trade and Industry. The first step toward product certification is to ensure that it complies with EN standards. Though a number of manufacturers already comply with product standards, in general, they fail to demonstrate this compliance to markets. The Directorate of Accreditation is not yet a member of the European Accreditation and cannot accredit the existing Kosovo Institute and Labs for material testing. In order to win EU tenders, the Kosovo manufacturer should therefore document that its products are certified internationally or as per EN standards.

With respect to pipe product international certification, KPEP assisted two Austrian Standards Institute experts during their June 23 visit to Ferplast pipe manufacturer in Ferizaj. The visit aimed to (1) assess the situation of the company and (2) identify next steps the company must take in order to secure product certification. In Q4, the Austrian Standards Institute (accredited in Vienna) to certify construction products, will prepare a detailed offer to KPEP and Ferplast on type testing and certification of Ferplast corrugated sewerage and drinking water pipes.

- **Assisted firms realize an additional € 500,000 in increased sales.**

We anticipate that Vinex and Brickos will experience a €2 million increase in annual sales after they finalize their cost shared investments in new production lines with KPEP in 2011. In Q3, Vinex launched its newest machinery to produce road guardrails, and KPEP expects to see improved performance in the market by the end of the year.

Once Ferplast receives its international product certification, KPEP anticipates the company will experience additional sales. International product certification takes time and is quite expensive for companies.

- **Assisted firms create 20 new jobs**

At the end of March, the Viti/Vitina based Vinex launched its newest line of road guardrail production. As soon as it is completed, this new line should create 25 new jobs. KPEP plans to contribute to this investment with a 10% cost share. To date, no other company in Kosovo manufactures a similar product.

Beyond the 25 new jobs created, this investment will lead to a new product in the local market, an increase in the company's capacity and a 60% import substitution rate in the metal guardrail market.

KPEP has also joined forces with Brickos on a cost sharing investment to build new tunnel kiln for bricks production. KPEP's 8% cost share in the investment will contribute to increased capacities in the clay construction materials industry. This investment will lead to the creation of 30 new jobs, a 100% increase in clay products production increase and a 6% import substitution rate in the clay bricks market. The investment will help the company become more competitive in the market. Clay bricks production in Kosovo currently fulfills 70% of the country's market demand; Kosovo imports approximately 30% of clay products as bricks from Serbia.

- **At least two firms export a product to a new market.**

Extracolors is showing positive signs of plans to export to neighboring countries in the near future.

## **Challenges**

- A number of construction materials manufacturers require large investments to increase production, sales, generate new jobs and stay competitive in the local and regional markets. Most owners' investments following privatization initially invested in facilities construction. Manufacturers now face difficulties with cash flow, high interest credit, lack of foreign direct investment and lack of government support. In the third quarter, KPEP's planned support for Vinex and Rizam was put on hold on due to environmental issues raised by USAID environment experts. The issues at Rizam have been resolved; issues at Vinex are pending resolution in Q4.

## **Activities Planned for the Next Quarter**

- Follow up on the KPEP assistance process and ROI at Vinex in Viti; Brickos in Kamenice; Rizam Holding in Krushe e Madhe, Prizren;
- KPEP will continue to focus on finding interested investors for Rizam to secure financing for a new roof tile production plant. The planned investment is estimated to be approximately €12 million. Currently, Kosovo does not produce clay roof tiles. Rather, it imports them from neighboring and other countries.
- KPEP will continue its efforts to secure international certification for the main pipe products of Ferplast, in Ferizaj.
- KPEP will increase support to non-direct clients: building material manufacturers.



## **Information Communication Technology (ICT)**

	<b>SAF Budget Estimate</b>	<b>International STTA</b>	<b>Local STTA</b>
	\$242,000	20 days	10 days
Committed this quarter	\$34,200	16.5 days	-
Total committed to date	\$67,153	16.5 days	
Remaining to be programmed	\$174,847	3.5	10

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### **ICT**

#### **Objective 1: Promote foreign direct investments in BPO**

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#### **Benchmarks**

**At least two companies invest in Kosovo's BPO sector, with at least 60 new hires in this subsector. The foreign investment should generate at least \$150,000 worth of IT goods and services procured locally.**

- KPEP promoted the Kosovo BPO sector as an attractive investment destination to local and international investors by engaging several IT and BPO companies in Kosovo that are interested in investing in this sector. KPEP anticipates that with project's support, Kosovo firms with strong business ties to German speaking countries will start piloting BPO operations with clients in Q4. Adaptivit has received a grant from CDF to procure the necessary equipment; the company is planning to start operations in September. Baruti, a company founded by Kosovo Diaspora in Switzerland, is interested in starting an inbound call center that specializes in Swiss German.
- Earlier in the year, KPEP organized meetings with top executives from leading Indian BPO firms such as Wipro, Aegis, AXA Business Services and NASSCOM, India's premier trade body and the chamber of commerce of the IT-BPO industries representatives. The Deputy Chief of

Party and an international STTA from Silicon Valley conducted the meetings. The results of these meeting are still being felt with continued interest from at least 2 companies.

- Aegis Global continues to collect data about BPO opportunities in Kosovo using KPEP resources. As a result of the meetings with Indian BPO firms, the CEO of a major Indian BPO company mentioned Kosovo as (1) a potential destination for expansion and as a (2) prominent B2B outsourcing portal ([www.sourcingline.com](http://www.sourcingline.com)) in an Indian news publication.
- KPEP continues to work with interested investors to promote the Kosovo BPO sector worldwide.
- Indian BPO Company Quattro is interested in starting operations in Kosovo, pending support from government subsidies to cover the technology cost of implementing the company's work-from-home model, whereby agents work from home rather than a central office model. According to Quattro, this model is becoming more widely used than the central office model of outsourcing services. Quattro is also examining the possibility of using Kosovo to offer German translation services to their video game industry clients.
- Since Kosovo firms showed minimal interest in attending the Call Center World in Berlin, KPEP supported ICT Association participation in the prominent international CeBIT in quarter 2 ICT fair in Hannover, where three ICT firms (Rrota, Logistics Plus and PBC) presented their products. STIKK and three Kosovo firms made 107 new contacts at the fair. Currently, the companies are following up on specific opportunities and STIKK plans to conduct a survey in September 2011 to review results from the trade fair. Logistics Plus reported that one EU company was seriously interested in outsourcing software development, while another company was interested in buying the rights to its leading software application. KPEP is examining ways to assist Logistics Plus in this process.

**At least 100 people trained and hired to work as call center agents. (Cancelled)**

- Activity cancelled because, disappointingly, STIKK did not complete the project deliverables on time. STIKK has failed to demonstrate that it can meet the benchmarks outlined in the contract.

**The Investor Guide (1) promotes Kosovo call centers to entrepreneurs and local and international investors and (2) facilitates the establishment of new call centers.**

**Approximately five existing call centers improve their operations or new investors believe their investment was facilitated as a result of information contained in the guide.**

- KPEP used the Investor Guide produced in Q1 to attract FDI from Indian BPOs as well as other foreign investors. IPAK is pleased with the guide and plans to use it as part of its investment promotion activities. This guide will serve as an essential tool to attract more local and foreign investment in this sector. IPAK and a number of businesses are using the guide to present BPO opportunities to potential investors, or clients in the case of local BPO ventures. Moreover, IPAK published the guide on its website and produced printed copies that were used at the CeBIT IT fair in Hannover and IPAK offices.
- Kosovo firm Adaptivit used the investor guide to present Kosovo's advantage as a near shore destination for providing services to a German client.

### **Additional Achievements**

KPEP promoted the Kosovo BPO sector to the CEO of one of the largest call centers in Sofia, Bulgaria. KPEP raised awareness about the sector's potential to local investors.

KPEP increased awareness of the BPO investment potential in Kosovo and gained support from government stakeholders such as IPAK, the Kosovo Ministry of Trade and Industry and the Kosovo ICT Association. As a result of KPEP's promotion of the sector, other donors, including the Community Development Fund, have committed to investing in this sector.

Cactus, a Kosovo-based ICT firm, received equity investment from the European Bank for Reconstruction and Development. This is the first time an investment bank has invested in a Kosovo ICT firm. This investment will be used to (1) modernize the company, (2) fund new investment projects that will grow the company throughout 2011 and 2012 and (2) support Cactus' expansion to Albania and Macedonia. KPEP advised Cactus during the process of securing this equity investment.

### **Challenges**

Kosovo's image with foreign investors has deteriorated as a result of recent political events and a less than favorable recent World Bank report and Transparency International rankings.

The Investment Promotion Agency of Kosovo has received a very low level of funding as a result of the World Bank's withdrawal from funding its activities this year.

### **Activities Planned for the Next Quarter**

Follow up with Indian investors (Continued)

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## **ICT**

**Objective 2: Improve product offering, sales and marketing of customized IT business solutions and government solutions for the local and regional market (Cancelled)**

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### **Benchmarks**

**30 local and international companies exhibit at the ICT fair. The event leads to new opportunities for local and international ICT firms to expand their product offerings and outsourcing potential in Kosovo. (Cancelled)**

- Cancelled due to low interest by ICT firms to participate in a local ICT fair.

**The activities outlined in this objective should generate 25 new employees and \$200,000 in transactions. (Cancelled)**

- Cancelled due to low interest by ICT firms.

### **Additional Achievements**

KPEP developed a partnership between one of Kosovo's largest ICT firms and a Bulgarian ICT company with substantial presence throughout the region. The partnership will allow Cactus to (1) expand its product offerings to Kosovo and Albania, and (2) to provide a distribution opportunity for its software products in the Bulgarian market.

## Challenges

Previous trade fairs held in Kosovo were unsuccessful; as a result, ICT firms have been reluctant to participate in them.

## Activities Planned for the Next Quarter

None

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## ICT

### Objective 3: Foster growth of communication technology via regional expansion (Ongoing)

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## Benchmarks

### KPEP's contribution to IXP finalized

- KPEP continued to work with all stakeholders to finalize the first Kosovo IXP. KPEP initiated the procurement for a portion of the equipment and convinced Cisco to donate a majority of the required equipment. In the second quarter, KPEP's contribution was successfully finalized and the equipment, together with the Cisco donated equipment, was delivered at the IXP premises. The IXP Manager together with the technical specialist from the Packet Clearing House successfully installed the equipment. IXP was successfully launched at an opening ceremony organized by TRA on June 23.

### TRA assumes leadership of an operational IXP

- TRA hired Agron Fazliu as the IXP Manager to lead Kosovo IXP operations starting in May 2011. Fazliu worked with Packet Clearing House to complete the IXP installation and is now managing the IXP operations.

### Three local companies obtain ISO 27001, an internationally recognized security certificate that will help local ICT companies compete in local and regional tenders that require IT Internet security services. (Cancelled)

- KPEP has decided to cancel this activity due to a low ROI and insufficient demand from the industry.

## Additional Achievements

KPEP has worked to secure additional funding for this objective from the Royal Norwegian Embassy, CISCO Systems and Packet Clearing House. As a result, KPEP has achieved substantial cost savings without altering the quality of the project.

KPEP has promoted the upcoming launch of the Internet Exchange Point with various ICT companies, which has led to numerous initiatives to invest in data center projects. In Q4, PC World Albanian and CIO (two industry magazines) will interview KPEP as part of a feature on the IXP story in Kosovo. This activity will promote the use of IXP to the Kosovo ICT Community.

## Challenges

Working with multiple donors and stakeholders resulted in a lengthier process, thus slowing progress.

## Activities Planned for the Next Quarter

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## ICT

### Objective 4: Strengthening STIKK and developing a long-term strategy for its sustainability (Ongoing)

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## Benchmarks

**KPEP will assess and quantify the ICT Association's progress to update the Association Development Index (ADI) tool from Year 2. STIKK's ADI index score will increase from 3.1 to 4**

- In Q4, KPEP will measure and quantify the progress made by STIKK Association based on ADI indicators.

### **KPEP will develop new member services, including individual membership**

- KPEP researched various individual membership models, which KPEP presented to STIKK. In Q3, KPEP designed and developed a comprehensive package for introducing the Individual Membership service to professional and student members. STIKK will decide on timing for this service launch.

**STIKK will develop a five-year strategic and financial sustainability plan**

This activity was completed in Q3 as part of an effort to increase STIKK's ADI index. In Q3, KPEP provided support to STIKK to (1) finalize its strategic plan and (2) to create an annual work plan for the coming years.

**At least 30 university students recruited and placed in firms**

KPEP modified its approach for this benchmark by working directly with firms that have a demand for interns; KPEP also continued to work with STIKK to place interns for its members. A few companies have approached KPEP with grant applications to fund internship programs at their firms. STIKK also continued to recruit interns to be placed in ICT firms; according to STIKK, ICT firms recruited 60 interns. KPEP continues to work with STIKK to identify opportunities to increase the interns' chances for employment following the internship.

**At least 70% of interns hired full-time following graduation**

- Internships are still ongoing.

**Challenges**

STIKK showed a lack of commitment during the strategic planning project. A workshop organized by KPEP was canceled because a significant number of STIKK board members failed to attend the event, though they confirmed participation. As a result, completion of the activity was delayed.

**Activities Planned for the Next Quarter**

KPEP will support STIKK to organize an internship program which is expected to create jobs and strengthen the companies.

KPEP will support STIKK to serve individual IT professionals offering membership and services.

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## ICT

### Objective 5: Improve the legal and regulatory environment for the ICT sector

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#### Benchmarks

**STIKK employs the analysis in the regional ICT legal and regulatory comparison report and makes recommendations to improve the legal and regulatory environment for ICT sector competitiveness. (Cancelled)**

- Cancelled because a similar report was produced by STIKK in collaboration with UKAid and Crimson Capital.

**KPEP will assist STIKK to organize its advocacy efforts and to lobby for enhanced competitiveness in the industry.**

- KPEP advocated on behalf of STIKK at the AmCham Competitiveness Committee and presented its case for regulatory reform as a means to achieve industry growth. STIKK did not demonstrate initiative for advocacy or lobbying despite KPEP's offer to support these efforts.

#### Challenges

We anticipate that STIKK's demands for reform, which focus on removing import duties and reducing the Value Added Tax on ICT products, will be challenging as a result of (1) extensive government budget constraints and (2) issues related to the International Monetary Fund.



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## ICT

### Objective 6: Develop tailored trainings based on the recommendations of the ICT Skills Gap Analysis (Ongoing)

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#### Benchmarks

##### **Develop and deliver training commensurate with the findings of the skills gap analysis.**

- In Q1, STIKK started to develop a Skills Gap Analysis by compiling a questionnaire for ICT firms and ICT educational institutions. In March 2011, STIKK completed the first draft of the Skills Gap Analysis report. KPEP sent its comments and feedback to STIKK, in anticipation of receiving back a final report with incorporated comments and necessary revisions. KPEP received the final Skills Gap Analysis report, which does not specifically recommend training programs that address the skills gap in the industry. The report recommended policy changes and reforms in the educational sector rather than quick interventions that can remedy the skills gap in the industry. The report was presented on June 22<sup>nd</sup>.

#### Challenges

KPEP received the Skills Gap Analysis draft and final report from STIKK with significant delay. The report did not make clear recommendations on training needs.

#### Activities Planned for the Next Quarter

KPEP to explore specific training needs for ICT firms.

## Tourism

	SAF Budget Estimate	International STTA	Local STTA
Workplan	\$208,000	42 days	100 days
Committed this quarter	36,521	0	0
Total committed to date	64,315	42 days	100 days
Remaining to be programmed	107,164	0	0

### Tourism

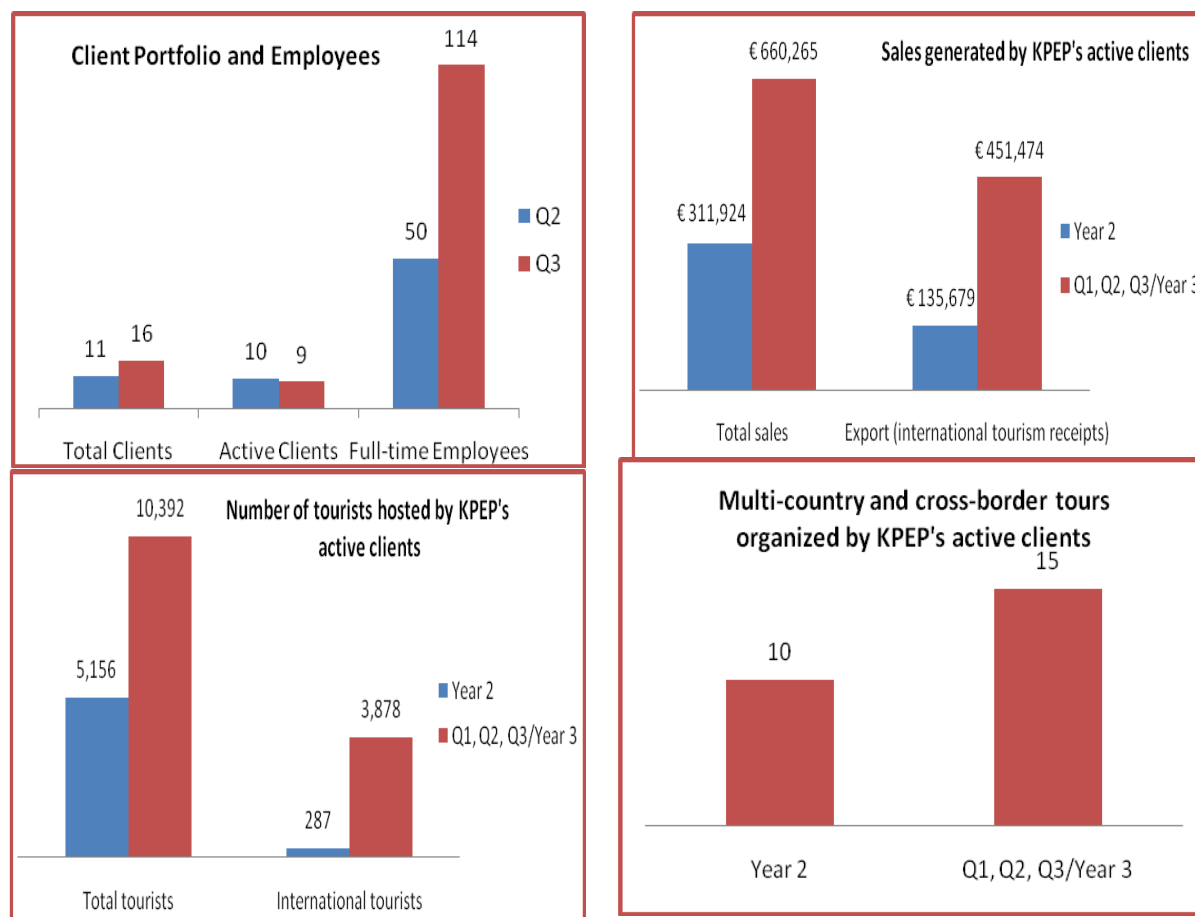
#### Objective 1: Improve marketing of Kosovo as a tourist destination (New)

#### Benchmarks

- **At least a 50% increase in the number of multi-regional tours and international tourists hosted by KPEP clients.**

In Year 2, KPEP's focus was to help local experience providers<sup>1</sup> improve the quality and variety of offerings. To achieve these targets, KPEP worked primarily with NGOs, as they were more willing to offer inbound tourism. In Year 3, our attention focused on marketing, promotion and creating regional linkages. This required modifying the portfolio of KPEP clients by increasing the number of tourism businesses and decreasing the number of NGOs involved in our activities. This quarter, KPEP added five new clients, bringing the total number of clients to 16; at the same time, seven clients became non-active. This shift in the portfolio actually shows a more realistic picture of sector growth, as demonstrated by the following graphs. Thus, the overall impact on KPEP's indicators is considerable as compared to Year 2.

<sup>1</sup> KPEP uses the term *experience provider* to include the full range of businesses that offer services to create a unique tourism experience. This includes tour operators, restaurants, hotels, the handicraft industry and the cultural events industry, among others.



The number of multi-country and cross-border tours experienced an increase of 50% compared to Year 2 (eight new tours this quarter); this increase fulfills the anticipated benchmarks by generating 10 times more international tourists hosted by KPEP's clients and three times higher international tourism receipts (export)<sup>2</sup> compared with last year. It is worth mentioning that Fibula Travel and Sharr Travel included inbound into their predominantly outbound tourism business as a result of KPEP's marketing and promotion activities; both travel agencies hosted over 600 international tourists.

The following is a list of multi-country and cross-border tours hosted by KPEP clients this quarter:

- Rugova Experience and Karatenova from the Netherlands: 40 Dutch tourists, as part of a regional tour: Croatia-B&H-Montenegro-Kosovo and Albania-Kosovo-Montenegro-Serbia

<sup>2</sup> ITR: In economic terms, tourism receipts represent the receipts of a country in the form of consumption expenditures or payments for goods and services made by foreign visitors out of foreign currency resources

- Rugova Experience and Attractive Travel from Albania: 45 German tourists, as part of a regional tour: Albania-Kosovo-Serbia.
- Fibula Travel and Shkodra Travel from Albania: 35 tourists from the Netherlands: a cross-border tour Albania-Kosovo
- Fibula Travel and Shkodra Travel from Albania: 21 Japanese tourists, as part of a regional tour: Macedonia-Kosovo-Albania
- Fibula Travel and Montex from Montenegro: 20 Spanish tourists: a cross-border tour: Montenegro-Kosovo
- Sharr Travel: 45 dentists from Switzerland, as part of a cross-border tour: Albania-Kosovo

As a result of KPEP's support for the participation of the Kosovo Tourism Association (KOTAS) and the Kosovo Alternative Tourism Association (KATA) in the Travel Turkey Fair 2010 in Izmir, Turkish tour operators like Haker Tour began offering cultural tourism in Kosovo. Beneficiaries of this activity, including Hotel Lyon, Hotel Princi i Arbrit, Hotel Prishtina, Fibula Travel and Sharr reported hosting 150 Turkish tourists.

KPEP's efforts to attract Albanian tourists are now fully evident. The participation of KOTAS and KATA in the International Conference and Exhibition for Tourism and Real Estate in Tirana, Albania April 14-16, 2011, strongly contributed to the fact that Kosovo's stand was one of most visited by tour operators and Albanian citizens. As a result of this KPEP-supported promotional activity, 408 Albanian tourists enjoyed one to three overnights at Hotel Princi i Arbrit, which generated €11,886 for this KPEP client; the Travel Agency Fibula received 150 tourists Albanian tourists, which generated €20,000 in sales; finally, Hotel Qarshija e Jupave earned over €30,000 from 370 Albanian tourists to Kosovo.

Beyond a rapid increase in Albanian tourists to Kosovo, the collaboration between Kosovo and Albanian tourism associations to penetrate new markets is functioning well. With KPEP support, the Kosovo Alternative Tourism Association (KATA) and the Union of Albanian Tour Operators (UATO) organized a six-day cross-border FAM Trip of 22 Polish tour operators in May. As a result, the Polish Tourism Chamber immediately requested that both associations promote Albania and Kosovo as new destinations at the TT Warsaw Tour & Travel Show, to be held in Warsaw, Poland from September 22 - 24, 2011.



KOTAS and KATA stand at the International Conference and Exhibition for Tourism and Real Estate in Tirana, Albania: April 14-16 2011



US Ambassador to Albania visiting Kosovo's stand at the International Conference and Exhibition for Tourism and Real Estate in Tirana, Albania: April 14-16 2011



FAM Trip of 22 Polish tour operators hosted at the Hotel Qarshija e Jupave and welcomed by women dressed in traditional costumes.



Gjakova Mayor welcoming Polish tour operators at the Hotel Qarshija e Jupave.

- **Commitment received for at least one new foreign direct investment in the tourism sector in Kosovo.**

The Business and Investment Forum to explore opportunities for business linkages and FDI will take place September 21-22, 2011 in Izmir. This meeting was made possible as a result of the joint effort between KPEP the Investment Promotion Agency of Kosovo (IPAK) and the Kosovo-Turkish Trade Chamber.

Conference participants will include 15 Kosovo companies from various sectors identified in KPEP's and IPAK's portfolio, including tourism. KPEP anticipates that Turkish businesses will

find it beneficial to undertake business and investments in Kosovo, despite the fact that the Doing Business 2011 data for Kosovo does not show an improvement as compared to 2010 data. Kosovo's ability to protect investors was valued at 2.7, based on a 1-10 range<sup>3</sup>.

### **Additional Achievements**

Western Balkans Geotourism Website: Following the MoU signed last quarter by SEGURA/IP3 Partners LLC (project implementer of USAID Washington and the National Geographic Society) with six country implementers (the KosovoGuide, which was specific to Kosovo), the Project developed a vision for the website project; implementation tasks are being handled by National Geographic's Maps Division.

In order to cover the costs for in-country project development (in the amount of €39,300), KosovoGuide is committed to leverage its own resources with those of KPEP, MTI, TAM-BAS and most importantly, the private sector. This will safeguard the sustainability of the website following the initial introductory period of one to two years, which includes the services of sites, hotels, restaurants, and products for the web site free of charge. KPEP is supporting the project by covering 29% of in-country project development costs. The Western Balkans Geotourism Website is scheduled for test-launch at the end of December 2011. It will be introduced to the citizens of countries in the Western Balkans during the Regional Tourism Summit in Sarajevo, which will be held in September 2011.

The KosovoGuide is our special success story as a pioneer tourism company. KPEP has supported the company since the start of its operations. Beyond progress the company achieved to ensure financial sustainability via increased membership revenues from €2,800 (16 members) in Q2 to €5,050 (22 members) this quarter, the company became a formidable player in promoting Kosovo as a tourist destination (through KPEP partnerships and its own initiatives). The company supported the promotion efforts of 27 inbound tourism businesses during the 8<sup>th</sup> International Travel Fair held in Pristina, April 6-8, 2011. The participants at Prishtina Travel Fair generated business transactions valued at €13,345 and supported two Fibula Travel regional tours, as reported under the benchmarks for regional tours.

KosovoGuide produced 3,000 copies of the promotional CD on Kosovo as a tourism destination on a cost-share basis with KPEP. The CD is now being featured on AirPrishtina and Eurokoha charter flights.

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<sup>3</sup> World Bank's Doing Business Report is current as of January 2011



The company has also started to organize tours and excursions for the international community in Kosovo. Some of the tours organized by the company are: a sightseeing visit in Pristina for 21 international guests of a Kosovo public enterprise; and a wine tour for 6 women of the International Women's Club. Moreover, the Western Balkans Geotourism Website is a unique opportunity for KosovoGuide to establish a long-term partnership with the National Geographic Society to market Kosovo as an international tourist destination.

- This quarter, KPEP worked with the Kosovo Embassy in Vienna as part of Kosovo's Economic Diplomacy initiative. With KPEP support, the Kosovo Alternative Tourism Association (KATA) organized a three-day FAM Trip for the Secretary General of Austria's Albert Schweitzer Society (AASS) and the Kosovo's Embassy's Consul in Vienna. The goal of the trip, sponsored by KATA members, was to familiarize the Secretary General with Kosovo's tourism potential and to promote Kosovo as a destination to the Austrian market. The trip was a success, and as a result, AASS's Secretary General will return to Kosovo August 7-15 with two Austrian hunting excursion experts and two German and Danish company representatives that specialize in hunting and fishing trips. Moreover, AASS and Kosovo's Embassy in Vienna are planning to organize a large event in Vienna at the beginning of next year (most likely on the occasion of 4<sup>th</sup> anniversary of Kosovo's Independence Day) for thousands of visitors. Kosovo traditional cuisine and traditional costumes will feature prominently at the event. If the event is successful, AASS will consider organizing similar events in two other cities in Austria.



A sample of how the National Geographic Geotourism Web-site will look.



Stand of inbound tourism offers at the 8th International Travel Fair in Pristina, April 6-8, 2011

### **Activities Planned for the Next Quarter**

- Participation in the Regional Tourism Summit in Sarajevo September 20-21, 2011. This will include a follow up meeting on September 22 with country implementers for the Western Balkans Geotourism Website.
- Follow up on the initiative of Kosovo's Embassy in Vienna and the Austrian Albert Schweitzer Society (AASS) to organize a promotional event in Vienna for Kosovo's tourism sector. The activity is planned in cooperation with the Kosovo Alternative Tourism Association (KATA).
- Follow up on implementation steps for the Western Balkans Geotourism web site.
- Conduct an assessment of the tourism industry designed to foster an understanding of development trends and the relevance of Kosovo's economic growth.



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## Tourism

### Objective 2: Develop integrated tourism offers for two destinations (New)

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#### Benchmarks

- **At least two new wine tourism offers generate international tourist interest and participation.**

Development of wine tourism in Rahovec/Orahovac is progressing as planned, per the project roadmap. Based on an initial effort by the Tourism Information Center (TIC) in Rahovec/Orahovac, the private and public sectors joined forces to organize an opening ceremony for the launch of TIC. Participants enjoyed wine and appetizers following the event. As part of the gathering, the Rahovec/Orahovac Municipality and USAID/KPEP signed a MoU for an initiative to develop wine tourism in the region. The event attracted 40 dignities and guests from the Rahoveci Region and other municipalities. Local media outlets covered the event, with an emphasis on wine tourism. As result of this successful launch, TIC hosted (1) a group of 25 guests from the German KFOR and the German Organization for Technical Cooperation (GIZ) and (2) subsequently welcomed 50 tourists from the UK, Japan, India and the international community in Kosovo. In addition, the Regional Development Agency (RDA), with funding from the European Commission, offered TIC staff a 10-day training session in order to become qualified tour guides.



Equipped Tourism Information Center in Rahovec/Orahovac



Smajl Latifi, Rahoveci Mayor and Mary Hobbs, USAID Economic Growth Director, signing the cooperation MoU on wine tourism project, April 29, 2011.



Ribbon cutting ceremony at the Tourism Information Center: Smajl Latifi, Rahoveci Mayor and Mary Hobbs, USAID Economic Growth Director, April 29, 2011.



Wine tasting following the Tourism Information Center opening ceremony.

KPEP continued to support the implementation of a short-term action plan based on the Wine Tourism Strategy for the Rahovec/Orahovac Region. The tourism map is in the final stages of production, while RFPs for the (1) website and the (2) tourism and cleanliness awareness campaign have been launched. A regional approach is critical to ensuring that Rahovec/Orahovac becomes a sustainable destination in the context of agro-tourism. In this regard, KPEP identified the Rugova Dairy Factory and the Krusha e Madhe cooperative as initial partners for the integration of local agro-products into wine tourism offers. KPEP plans to further develop these over the next quarter.

With respect to benchmarks, KPEP is developing four new wine tourism offers; two have already been piloted with international tourists:

- Wine tour and traditional food for six women of the International Women's Club. The tour involved TIC, Kosovo Guide and Sharr Travel.
- Wine testing and cultural tour in Rahovec/Orahovac and Hoqa e Madhe for 14 internationals working in Kosovo.
- Two tailored wine tourism offers for a Hungarian tour operator are expected to start in October.

Wine tourism is (1) creating additional revenues for existing businesses and (2) attracting the interest of new ones. The aforementioned activities have benefited 12 businesses, including B&Bs owned by the Milos Dragic dhe Blagica Kostic family from Hoqa e Madhe. Our success story for this quarter is BEHA-N, a barrel maker that increased the range of wood processing products utilizing a wine theme (wine barrels, furniture and souvenirs) based on ideas gleaned from the study trip in Italy. With KPEP support, the company participated in the Natyra 2011 wood processing fair in Pristina. BEHA-N support generated immediate post-fair sales valued at €3,240. Because business is growing so rapidly, the company is planning new investment in machinery in order to increase production capacity and improve productivity.

- **International study tour conducted**

Based on lessons learned from the study trip that took place last quarter, the Hotel Plaza in Rahovec/Orahovac requested KPEP strategic activities funds to establish a wine and souvenir shop, to include a tasting area and a wine-themed multifunctional meeting room. This activity will be implemented throughout the next quarter. In addition, the Hotel Qarshija e Jupave in Gjakova is in the process of establishing a vinothèque by investing over €50,000 of its own capital.

- **Increase the number of small businesses involved in tourism in targeted regions.**

Beyond the seven that KPEP reported last quarter, seven new companies joined the network of tourism businesses involved in wine tourism of Rahovec/Orahovac. These include wineries (Euro Wine, Eko, Shulina, and Iliria), a restaurant (Atri) and two B&Bs in Hoqa e Madhe. KPEP's international tourism consultant Elmar Kunz organized two workshops in Rahovec/Orahovac and Gjakova/Djakovica to encourage local participants to (1) think of business ideas for establishing B&Bs and accommodation facilities, and (2) the types of local products visitors might enjoy. KPEP

believes that the number of small business involved in tourism will increase as a result of the Tourism and Cleanliness Awareness Campaign KPEP plans to launch over the next quarter.

- **Development of at least two new products through regional offers**

There is still no consensus as to whether the Dukagjini Region constitutes a unique tourism area. Though the region's unique natural beauty, cultural heritage and the beautiful Gjeravica Glacial Lake have historically been developed as a tourist destination, much more can be done to attract tourists to the region. A comprehensive tourism strategy would include developing attractions, quality tourism services, ensuring a superior customer experience and an effective marketing strategy. These are all key criteria for developing a sustainable tourism destination; spurring economic growth; reducing poverty; and expanding employment, infrastructure and social rehabilitation.

KPEP's commitment to encourage the municipalities of the Dukagjini Region to join forces to promote tourism as a way to achieve economic development has generated initial positive results. The Peja municipality received a €540,000 fund from the European Commission for the Dukagjini and Rugova Valley Access Programme, which included the municipalities of Peja/Pec, Deçan/Decane and Junik. The project aims to integrate the cultural trail and the hiking and bike trail network in the Dukagjini Valley into one system, with modern sign postings.

The *Stay the Weekend-Experience Dukagjini Valley* – themed Regional Tourism Street Fair is an outreach event for the municipalities of the Dukagjini Region. The event targets Diaspora visiting Kosovo during the summer period. KPEP will support this activity in next quarter.

## **Challenges**

- Despite a deep and long tradition of wine production, wine tourism is a new concept for the community of Rahovec/Orahovac and citizens do not fully understand how wine production fits into the tourism industry. They appreciate that society is changing and that some of the more conservative values are giving way to more modern careers and jobs, yet they remain traditional in their views. The local population is not familiar with the economic and social benefits of tourism, which can provide opportunities for employment growth and income generation. Furthermore, it can be difficult to change the mindset of locals when it comes to keeping the environment clean, which is still a major concern among tourists who are visiting the country, including

Rahovec/Orahovac. KPEP will address this issue in the next quarter by launching a community-based tourism and cleanliness awareness campaign.

### Activities Planned for the Next Quarter

- Continue to implement key recommendations for the Wine Tourism Strategy in the Rahovec/Orahovac region:
    - Online marketing of Rahovec/Orahovac Destination (Web site)
    - Tourism and Cleanliness Awareness Campaign for Rahovec/Orahovac Destination
    - Fine-tune 3 to 4 exemplary wine tours itineraries
    - Follow up with potential B&B providers
    - Advise the Wine Tourism Task Force to draft a concept paper on the organization of a wine tasting event in partnership with the Rugova cheese factory for a specific target group
    - Follow up with Hotel Plaza's business idea
  - Tourism Street Fair *Stay the Weekend – Experience Dukagjini Valley* will take place in Peja on September 10-11, 2011. KPEP is supporting this activity on a cost-share basis with the Peja Municipality and private businesses planning to participate in this event.
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## Tourism

### Objective 3: Strengthen the Kosovo Tourism Association (KOTAS) and the Kosovo Alternative Tourism Association (KATA) (New)

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### Benchmarks

- **KOTAS's ADI index score will be increased from 2 to 4**

We have initiated preparations to conduct the annual ADI assessment, which is expected to be complete by the beginning of August. The assessment will be based on preliminary research regarding the existence of sixteen associations listed in the two previous assessments. Since KOTAS is no longer considered to be an as active organization, it will not be taken into consideration during the development of the assessment.

- **At least one new member service will be developed**

The Kosovo Alternative Tourism Association (KATA) has launched a new member service with respect to the Administrative Instruction for Classification and Categorization of Hotels. KATA has organized seven workshops in partnership with the Ministry of Trade and Industry (MTI). The TAM-BAS program, which includes the participation of 140 hotelier companies across Kosovo, is also supporting the program. This successful cooperation was made possible by changing the Administrative Instruction and making a few adjustments to the Tourism Law. The recommended changes have been approved by the Kosovo parliament and will be integrated as amendments.

KATA has also identified the Amadeus system certification program as a service to members. This proposal is a feedback from participants at the Tourism Job Fair. Amadeus is a computer-based system that enables companies to book and sell travel tickets online. The pilot certification program will be implemented next quarter and has received support from KATA members. The system will initially require 40 employees, 16 of which will be employed immediately.

- KOTAS/KATA will develop a five-year strategic and financial sustainability plan

KPEP provided KOTAS and KATA with a draft three-year strategic plan. Unlike KOTAS, the KATA association has successfully adapted the draft plan and has created an annual work plan that includes three KPEP-supported activities: the Tourism Job Fair, the FAM Trip with Polish tour operators and the association's promotional material, which is currently being revised and will be ready for printing in the following weeks. As result of implemented activities from the annual work plan, KATA's membership increased from 43 in January (when KPEP offered the three-year strategic plan KATA) to 104.

Further details regarding the FAM Trip can be found under Objective 1 of the Tourism section.

- **Integrate Kosovo Alternative Tourism Association (KATA) into the ADI survey and compare its level of effectiveness**

We have integrated KATA into the index and have begun implementation of this benchmark. KPEP will provide a progress evaluation in the Q4 report.

### **Activities Planned for the Next Quarter**

- Conduct the ADI assessment, including KATA.
- Support KATA to implement the Amadeus certification system.
- Collaborate with KATA to identify and implement additional activities that can be introduced to its members (hospitality trainings for example).

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## Tourism

### Objective 4: Improve workforce skills in tourism - WfD (New)

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#### Benchmarks

- **At least 30 new full time job placements created via job fairs in this sector.**

This year's tourism job fair was based on of the lack of recruitment capacities within Kosovo tourism companies. KPEP has concluded that although many hotels, restaurants and other tourism enterprises have job openings, they have difficulties in identifying qualified staff. KATA's research has identified 40 companies offering 190 jobs to new graduates. To raise awareness for both jobseekers and job providers, KATA has undertaken a number of promotional initiatives utilizing advertisement tools, social network and media channels. During the job fair, which included the participation of 23 companies and 188 job seekers, 29 individuals were hired immediately based on direct interviews. The recruitment process is still ongoing. KPEP believes that this benchmark will be fulfilled by end of the Q4.

#### Activities Planned for the Next Quarter

- Follow up with KATA to update additional job placement as a result of the Tourism Job Fair.



## Recycling

	SAF Budget Estimate	International STTA	Local STTA
	\$75,000	0 days	20 days
Committed this quarter	\$0	0	0
Total committed to date	\$76,161	0	0

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## Recycling

### Objective 1: Increase the number of municipalities that have commercial recycling capacities (New)

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#### Benchmarks

- **At least two municipality-based new collection points are established**

The quantity of recyclable plastics collected at seven collection points increased to 145 tons, compared to 63 in the previous quarter. These collection points benefited from grant activity via the Grenteh Company, which established three new municipality-based collection points. This positive development in the amount of recyclable plastics collected attributed to the business growth of Grenteh, which generated over €50,000 sales, or an increase of 193%.

- **At least one paper recycling or processing facility reduces dependence on imported raw materials**

The AG Group, which received a KPEP grant for technical assistance for a newly installed machinery for recycling of pulping waste paper, organized a May 10 launch ceremony by announcing new production facilities to over 50 dignities and guests, including central and local

government officials, and USAID and KPEP representatives. The AG Group thanked USAID for support to train 12 newly employed workers to operate machinery that will enable the company to produce quality products and increase competitiveness. The company started recycling pulping waste paper in June 2011 and within a month it has collected over 40 tons of recyclable materials by substituting imported materials valued at €18,800.

### **Additional Achievements**

The sector's entire budget was applied to the two important benchmarks introduced above. KPEP continued to collect information on relevant recycling business ideas in order to (1) stay abreast of industry growth and (2) follow the initiatives of donors that support the development of Kosovo's recycling industry.

We have identified an opportunity to collaborate with the USAID Basic Education Program, which launched a Bottle Crusher and Recycle Bin Design Challenge activity aimed at developing entrepreneurial, creative and technological skills of students to solve the environmental problem. Winning designs will be produced by local manufacturers and will be supplied to schools working on environmental activities. KPEP will provide support to establish linkages with collection points and plastic recyclable companies.

### **Activities Planned for the Next Quarter**

- No activities planned

## Component 2: Business Support Services (BSS)

	SAF Budget Estimate	International STTA	Local STTA
Work plan	\$22,000	20 Days	25days
Committed this quarter	0	20 Days	25 days
Total committed to date	\$ 3,000	0	0
Remaining to be programmed	\$ 19,000	0 Days	0 days

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### Business Support Services – Stand-alone element

#### Objective 1: Enhance the internal organizational capacity of associations (Ongoing)

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#### Benchmarks

- **All Association clients receive Year 3 ADI assessment reports.**

We have started the preparations for conducting the annual ADI assessment, which is expected to be complete at the beginning of August. Following preliminary research regarding the existence of sixteen associations which were listed in the two previous assessments, KPEP will contact and visit fifteen; our understanding is that a few are extinction and three new ones have been created.. The Alliance of Kosovo Agribusiness (AKA); the Kosovo Poultry and Feed Millers (SHPUK); the Kosovo Tourism Association (KOTAS) and the Metal Processing Association (MPA) are among those that are no longer active. The Kosovo Alternative Tourism Association (KATA); the Association of Planners of Kosova (ASPK) and the National Private Forest Owner Association of Kosovo (NPFOAK) are newly created associations that will be included in this year's ADI assessment.

- **Increase of the index rate as projected on the ADI Table**

We anticipate implementing this activity in Q4.

- **Develop a roadmap strategy for Tier 1 Associations and umbrella associations**

In cooperation with BEE, KPEP has decided to put this activity on hold, due to the fact that there is an initiative from BEEP, DFID and EU SME to coordinate all future support that will be provided to business associations. For more detailed information, please see the BEE section of this report.

- **Establish a Management Consultant Association that meets ICMCI requirements**

The BAS program, in cooperation the USAID/KPEP, is continuing to provide support to the Management Consultant Association. KPEP is providing assistance on identified areas that correspond with ICMCI requirements. KPEP anticipates this task will be completed by the middle of the Q4.

#### **Additional achievements:**

Although it is a very challenging task, KPEP has started to implement the Association Development Index mentioned above with 50% funds less than anticipated. Instead of depending on subcontracting, KPEP decided to take advantage of widely available local and in-house expertise.

#### **Challenges**

#### **Activities Planned for the Next Quarter**

- Follow up on cross coordination by different stakeholders on capacity building for business associations.
- Follow up and monitor progress of sector-specific associations
- Perform Association Development Index (ADI) survey.

## Component 3: Business Enabling Environment (BEE)

	SAF Budget Estimate	International STTA	Local STTA
	\$0	0 days	0 days
Committed this quarter	N/A	N/A	N/A
Total committed to date	N/A	N/A	N/A
Remaining to be programmed			

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### Business Enabling Environment

**Objective 1: Monitor BEE and Kosovo Legislative Strategy for relevant issues. Engage and intervene where appropriate (Ongoing)**

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### Benchmarks

- **At least one new legislative intervention in support of KPEP sectors investigated.**

Draft Law on Construction – At the end of Year 2, the Draft Law on Construction was near completion and on target for a submission deadline. KPEP met the deadline and delivered the consultant's final proposed draft of the construction law to USAID. In turn, USAID delivered the proposal to the Office of the Deputy Prime Minister. The Ministry of Environment and Spatial Planning (MESP) has drafted a new version of the Law on Construction, which is not based on the draft that KPEP provided to USAID. KPEP BEE reviewed the new draft law and offered comments and suggestions to USAID for further action.

### Challenges

- The main challenge will be to consolidate the two draft versions of the law into one efficient version that will address Kosovo's needs in this area.

### **Activities Planned for the Next Quarter**

- KPEP BEE will continue to offer its support on this legislation piece to the extent that USAID is involved in the consolidation or drafting of the new version of Construction Law.
- KPEP BEE will also continue to offer support for pieces of legislation relevant to KPEP objectives. Moreover, KPEP BEE will intervene in and investigate legislation deemed important for KPEP clients.

### **Trade Facilitation**

#### **Additional Achievements**

- **Trade Facilitation - Establishment of a close cooperation with KBEEP**

A number of Kosovo products face challenges in exporting to CEFTA countries. Most issues are specific to the revaluation of prices, the rejection of phyto-sanitary certificates and VAT. KPEP BEE drafted a memorandum to Kosovo's Ministry of Economy and Finance (MEF), Kosovo Customs, USAID, and the Kosovo Chamber of Commerce. MEF informed us of the Prime Minister of Albania's receipt of the memorandum.

Since KBEEP works specifically on business legislation issues, KPEP joined forces with project representatives to address KPEP client concerns on this matter. As a result, KPEP drafted a series of documents as part of an *administrative appeal* on the revaluation of prices; KPEP will submit this appeal to Albanian Institutions. KPEP and KBEEP organized a meeting with a potato importer from Albania who was facing a revaluation problem. KPEP presented him with a draft appeal and advised him on additional submission and processing steps required for Albanian Institutions. For further information, please see the Agriculture Section of this report.

KPEP's hands-on field experience and a large pool of clients and contacts has proven to be valuable to KBEEP's clients, particularly with respect to BIO licensing and certification and HACCP standards. KPEP BEE established a close cooperation between KPEP specific sectors and KBEEP in this regard. As a result of this established cooperation, KPEP NWFP is working

very closely with KBEEP on the BIO Licensing and Certification of honey produced in the Peja/Pec region.

We have also collaborated with KBEEP on grant applications. KPEP often receives applications from clients whose activities are better suited for KBEEP's program. As a result, KPEP has agreed to serve as an information repository for both KPEP and KBEEP clients, encouraging the development of Kosovo's private sector economy. However, until now there was no successful grant application due to differences in the grants procedures between the two projects.

KPEP BEE initiated a meeting with the KPEP Tourism Specialist and KBEEP regarding a tourism sector study. KPEP agreed that such a study would be mutually beneficial our projects, since it would cover both qualitative and quantitative data on the actual situation of the tourism sector. The goal of this study was to create a comprehensive repository of information, which would serve as the basis for recommendations to the GoK on the legislative, regulatory and organizational measures that must be taken in order to improve tourism in Kosovo. KBEEP would finance the study. KPEP would provide expertise, experience and tourism industry contacts. This activity was dropped. For further information, please review the Tourism Section of this report.

In our conversations with various contacts, KPEP discovered there were no comprehensive step-by-step guidelines for opening and registering a business in Kosovo. Since KBEEP has proposed to the GoK a change in legislation for various registrations, KPEP BEE and KBEEP will work together to develop these guidelines. Work on developing these guidelines will begin as soon as the KBEEP proposed changes to the GoK come into effect. No progress has been made on this issue, due to pending approval of the regulatory changes proposed by KBEEP. This activity is still pending because there have been no changes to the business registration process.

Another aspect of our cooperation with KBEEP is KPEP BEE's active participation in the regional focus groups KBEEP has organized in order to better understand current legislative issues and challenges that businesses face in their day-to-day operations. KPEP BEE actively participated in these focus groups and informed KPEP clients how to express their concerns within these focus groups. Following the completion of the groups, KBEEP, in cooperation with AmCham, began organizing roundtable discussions on the issues identified during the focus groups. KPEP BEE and KPEP sector specialists were invited to participate in these discussions. KPEP BEE

presented a number of suggestions and comments relevant to KPEP's clients. KPEP BEE continued to participate in roundtable discussions, which concluded in Q3.

- **Trade Facilitation – Export of Raw Milk to Albania**

Due to seasonal excesses in milk production, the Kosovo market has no absorption capacity. As a result, KPEP has established a trade relationship between Albanian dairies, which are in need of raw milk imports and Kosovo's Bylmeti Dairy, which has an excess supply of milk that can be exported. After the first shipment of milk faced an excessive revaluation process by Albanian customs officials, KPEP BEE and the dairy sector organized a meeting with the Ministry of Trade and Industry (MTI). After extensive discussions and brainstorming, MTI officials worked with their Albanian counterparts to abolish the practice of price revaluations for products originating from Kosovo. Since this successful intervention by KPEP, MTI has not experienced any issues with respect to the revaluation of prices. For further information, please refer to the Agriculture Dairy section of this report.

## **Challenges**

- The lack of CEFTA implementation by some of its members remains a key issue for Kosovo. Serbia and Bosnia and Herzegovina have prevented goods carrying a Republic of Kosovo stamp to transit through their territory. This further hinders exports of Kosovo produced goods. Kosovo took over the CEFTA Presidency in January 2011, and will address the transit issue in future CEFTA meetings. Even though the trade barriers issue with Albania seems to be resolved, there is always a risk that these barriers will be re-imposed.

## **Activities Planned for the Next Quarter**

- KPEP BEE will continue its cooperation with KBEEP on trade related issues.
- KPEP BEE will continue to monitor the development of CEFTA implementation, and assist KPEP clients in overcoming any challenges as they arise.



## Foreign Direct Investment - FDI

### Additional Achievements

- **Economic Diplomacy Task Force - Establishment of a close cooperation with USAID Kosovo Ministry of Foreign Affairs Support Project (KMFASP) implemented by DAI**

Realizing that there is an enormous need to attract foreign investment to Kosovo, KPEP BEE partnered with other donor projects to form an Economic Diplomacy Task Force (EDTF). KPEP asked USAID projects related to FDI, European Commission projects, GoK Ministries and IPAK, to join the group and to join forces to promote Kosovo's potential as an investment destination.

As a result of this cooperation between projects, DAI organized Economic Diplomacy Training for Kosovo diplomats working in Kosovo Embassies around the world. The aim of the training was to arm Kosovo diplomats with skills on promoting Kosovo as an FDI destination and promoting Kosovo products in the countries they work. KPEP supported effort by offering two presentations during the training; (1) a session on Incoterms and Letters of Credit organized by KPEP BEE and (2) the Kosovo as a Tourism Destination presented by Tourist Specialist. KPEP provided information on (1) certified products from Kosovo that meet international standards and are suitable for export and (2) Greenfield Investment Briefers that were developed by KPEP BEE in Year 2. KPEP materials were included in the study packet for the training.

During the second quarter, KPEP hosted a follow-on EDTF meeting. All participating projects had the opportunity to discuss achievements, obstacles and suggestions for FDI and exports. The issues discussed included incentives for the World Bank Doing Business Report, the possibility of creating a more effective Trade Representation Office, and a request made by the PM's office that regulatory proposals made by donors should be extended to local counterparts (different ministries and offices) as well as the PM's office. KMFASP reported that the diplomat training was a success; Kosovo diplomats are now very active in (1) presenting Kosovo products at international trade shows, and (2) promoting Kosovo as a destination for potential investment. These efforts have resulted in the export of two contingencies in the amount of 80 thousand liters of *Stonecastle* wine from Kosovo's Rahovec/Orahovac region to the US Market. These are the first two out of four contingencies under contract. The Embassy of Kosovo in Washington D.C. played an active role in facilitating this transaction. Because the KMFASP project has come to an

end, no EDTF meeting took place this quarter. Nevertheless, an array of issues regarding FDI was discussed in meetings with donor projects.

## **Challenges**

- Ongoing challenges with respect to FDI are the (1) lack of implementation of legislation including: Law on Business Organizations, Law on Obligations (Contracts), CEFTA, Law on Internal Trade and (2) the difficult and discouraging procedures for opening a business.
- Another challenge with respect to exports is the imminent lapsing of a ten-year Free Trade Agreement between Kosovo and the European Union. The agreement allowed Kosovo to export goods into the EU zone duty-free. Kosovo has begun administrative preparations for negotiating a new Free Trade Agreement with the EU. There are no new developments in the EU with respect to a Free Trade Agreement with Kosovo.

## **Activities Planned for the Next Quarter**

- KPEP will continue to assist in attracting FDI within the scope of KPEP's project objectives as well as cooperate with other members of EDTF.

## **Advocacy Strategy – Assisting KPEP Business Support Services (BSS)**

The Advocacy Strategy developed by KPEP BEE in Year 2 summarizes the concrete steps and procedures that a draft law must pass before it becomes effective and applicable. KPEP BEE worked with KPEP BSS to prepare training material based on the prior Advocacy Strategy for various associations in Kosovo. The training aims to increase lobbying capacities for associations. KPEP developed a position paper sample and a survey aimed at identifying the key legislative issues that KPEP clients face.

As a result of different donor projects working to develop the capacities of business associations however, KPEP, KBEPP, the European Union Small and Medium Enterprises (EU SME) and the Department for International Development (DFID) met to coordinate our efforts with respect to overall assistance. This coordination would allow associations to perform different tasks. Because donor projects work and assist associations in different ways, cooperation will be a key to offering comprehensive assistance to associations. Donors will have defined roles for how they assist associations and this assistance will be commensurate with their fields of specialization. As a

result of this cooperative effort, KPEP's Advocacy Strategy Roadmap Training is on standby, pending further coordination and agreement between projects. This coordination is currently pending as KPEP await DFID's response on coordination.

BEE and BSS also worked together on the Business Models for Association. In order for farmers' associations to provide better services to its members, as well as generate income, they must become cooperatives. KPEP reviewed and updated documents developed by international and local STTAs regarding Business Models for Association. KPEP also analyzed legislative pieces and compiled a complete package of information KPEP plans to present to the Farmers' Associations.

We visited the Perdrini Farmers' Association in Krusha e Madhe and discussed with them the process of transition toward a farmers' cooperative. Perdrini welcomed the KPEP initiative and expressed a willingness to reorganize. KPEP translated the draft statute for a cooperative, which was developed by a group of local and international STTAs. The draft statute will be delivered and discussed with Perdrini and if agreed, the Founding Assembly will adopt it. Following this step, the cooperative will be registered. In Q3, KPEP BEE and BSS visited and presented the cooperative model to two more farmers associations who expressed interest in reorganization. Though they received all necessary documentation and guidance, they have yet to register as a cooperative.

## **Challenges**

- The lack of momentum on the part of other donors is the main challenge KPEP faces. If the coordination process fails to materialize, KPEP will move ahead with its Advocacy Strategy Roadmap Training.
- No major challenges identified with respect to farmers' cooperatives on KPEP's behalf. It is now up to the associations themselves to proceed with further steps on reorganization.

## **Activities Planned for the Next Quarter**

- KPEP BEE and BSS will continue to cooperate with other donor projects with respect to capacity building for associations.

- If requested, KPEP BEE and BSS will continue to visit farmers' associations and discuss with them the idea of transitioning to cooperatives. KPEP will also provide ongoing assistance with document preparation and registration.

### **Cooperation with the KPEP Construction Sector – MOU for Heavy Equipment Operators Training**

As a result of a high demand for qualified operators, the KPEP Construction Sector is establishing a Heavy Equipment Operators Training Center (HEOTC) in partnership with the Kosovo Energy Corporation (KEC). HeviCert, an international consulting company that provides expertise, personnel, curriculum, training materials and certification for the heavy equipment operators will implement the training. The construction specialist requested KPEP BEE assistance to draft an MOU, which will be signed by KPEP and KEK for the establishment of the center; the MOU is drafted and is awaiting signature.

KPEP BEE assisted the Construction Sector to draft an additional MOU in order to establish cooperation and involvement with the Ministry of Infrastructure (MI) and the Ministry of Education, Science and Technology (MEST) and HEOTC. The criteria for this assistance are that businesses that apply for MI construction projects should use certified heavy equipment operators. KPEP BEE also assisted the Construction Specialist and construction client with legal advice on the procedure for establishing an association.

MEST support will consist of assistance with HEOTC accreditation.

### **Challenges**

- No major challenges identified with assisting the KPEP Construction Sector.

### **Activities Planned for the Next Quarter**

- KPEP BEE will continue to offer cross-sector assistance, as needed.

**Cooperation with KPEP ICT Sector – Advocacy**

KPEP BEE, in cooperation with KPEP ICT, reviewed the position paper and Kosovo ICT Market Report developed by the Kosovo Association of Information and Communication Technology (STIKK). Both KPEP sectors assisted STIKK in their efforts to advocate for an improved regulatory position for the sector. For further information, please see the ICT section of this report.

**Challenges**

- No challenges identified with assisting the KPEP ICT Sector.

**Activities Planned for the Next Quarter**

- KPEP BEE will continue to offer cross-sector assistance, as needed.

**Cooperation with other donor projects and institutions****European Union Small and Medium Enterprise (EU SME)**

KPEP BEE met with EU SME to discuss possibilities for cooperation between the two projects. KPEP actively participated in the development of the SME Strategy for Kosovo and attended meetings and discussions on a strategy for topics related to KPEP's work.

The EU SME project organized an SME Strategy Development Conference. The aim of this conference was to further expand the network of professionals that can contribute to strengthening the strategy. The strategy is a crucial document for the future development of Kosovo's SME Sector as a main generator of jobs. KPEP actively participated in the conference, delivering recommendations and ideas.

EU SME initiated a regular series of donor coordination meetings. The goal of these gatherings is coordination and cooperation between donor projects working on similar issues and how to more effectively use their resources to achieve mutual goals. The next meeting will take place next quarter.

**Cooperation with USAID Systems for Enforcing Agreements and Decisions (SEAD)**

SEAD is creating standard form contracts for various Kosovo business sectors in order to provide Kosovo businesses and citizens with a tool that guarantees quality, performance and an easier dispute resolution mechanism. This is part of an effort to standardize, facilitate conclusion and enforce all contracts. In April, SEAD held a roundtable discussion on the Release of Standard Form Contracts. Since KPEP is involved in the construction sector, KPEP was invited to (1) share our knowledge and contacts with different sectors and to (2) participate in a panel on relevant standard form contracts.

KPEP BEE and SEAD will work on drafting three standard form contracts for agriculture: sales contract, brokerage contract and transportation/carriage contract. This activity will continue in Year 4.

**Cooperation with the American Chamber of Commerce in Kosovo (AmCham)**

Our cooperation with AmCham, which started at the beginning of the KPEP program, has continued successfully.

This quarter, KPEP hosted AmCham's Competitiveness Committee Meeting; the main topic discussed was Kosovo's Strategy for Economic Development. The Minister of Economic Development Besim Beqaj presented the strategy and answered questions from committee members. Beqaj mentioned that the main points of the strategy consisted of reducing unemployment, attracting investments, carrying out regulatory changes and improving Kosovo's ranking in the World Bank Doing Business Report.

KPEP is also a member of a Task Force on Public Procurement Law established by AmCham. During the meeting, participants chose a chairperson who will be in charge of gathering all member concerns specific to issues arising from the law. A range of issues raised during the meeting will be compiled into a single comprehensive document and will be discussed during the next meeting. The goal of this task force is to identify key issues with the Public Procurement and

offer a unanimous approach in addressing these issues to relevant institutions. The Task Force on Public Procurement Law has not been active this quarter.

AmCham asked its members to provide comments and suggestions to the Draft Law on Donations and Sponsorships, which the GoK is currently developing. AmCham was grateful for BEE's recommendations, which will be presented to the GoK Working Group on the Draft Law for Donations and Sponsorships.

KPEP BEE also attended an AmCham-organized meeting with the International Monetary Fund (IMF) on Kosovo's economic development. KPEP BEE discussed challenges currently facing KPEP clients.

### **Challenges**

- No major challenges for cooperation with donor projects and institutions have been identified.

### **Activities Planned for the Next Quarter**

- KPEP BEE will continue its close cooperation with all donor projects and institutions in all aspects of work relevant to KPEP clients.

## Component 4: Work Force Development (WFD)

	SAF Budget Estimate	International STTA	Local STTA
	\$394,561	0 days	50days
Committed this quarter	\$315,937		35 days
Total committed to date	\$315,937		35 days

### Work Force Development

**Objective 1: Institutionalize training programs within local workforce development organizations to ensure sustainability (Ongoing)**

#### Benchmarks

**One curriculum proposal prepared and offered to MEST National Council for Curriculum Development.**

The MOU signed between Swiss Contact and KPEP to implement the HACCP teacher training program at five Agriculture schools was implemented as agreed.

We received confirmation from the MEST Vocational Education Training (VET) Division with respect to KPEP and Swiss Contact's initiative to (1) train five teachers of agricultural VETs and to (2) carry out the accreditation of the HACCP curricula. An identical HACCP curriculum was integrated into Food and Safety Standards and submitted to MEST at the National Council for Curriculum Development in June 2011. KPEP has completed all necessary steps for this activity and KPEP is currently awaiting MEST accreditation, which KPEP anticipates will be finalized during this quarter.

**Offer coaching and technical assistance to teachers who will implement the new curriculum at the VTCs and/or VET**

We offered coaching to secondary school teachers with necessary skills to provide the Hazard Analysis and Critical Control Point (HACCP) standards course in their schools, thus increasing the



employment potential for agriculture students. In close collaboration with Swiss Contact, 11 secondary school teachers who teach food oriented subjects at Kosovo Agriculture Secondary Schools of (Pristina, Gjilan, Ferizaj and Peja) received training from a local expert hired by KPEP.



Left: Teachers training program on HACCP, classroom lessons.



Right: Field visit at a potato processing company.

The introduction of the HACCP practical training module for teachers focused on theoretical and practical learning. Training included a visit to the Vipa Chips factory, which is one of Kosovo's few HACCP certified companies. The training content included key HACCP planning and principles such as food safety, background and regulatory control of the HACCP system and certification procedures. The course also comprised exercises on the practical implementation of HACCP principles in predetermined sectors of the food processing industry; these included the dairy, meat, fruit and vegetables sectors.

It is worth mentioning that although most participants had heard about HACCP, none were aware of its meaning and implementation. Course participants demonstrated a high level of interest in understanding and accepting the HACCP standard as one of the most important food safety management systems. They have committed to transferring their new skills to their students once food standards are included in school curricula.

### **Additional achievements**

The local expert on HACCP standards produced a mini booklet with basic information on food standards; the book will be used as a first step to introducing important food standards to agriculture school students.

### **The Banking and Finance training program will be accredited by the EBTN/EFCB and by the University of Pristina's Faculty of Economy.**

We have accomplished all activities listed in the previous report.

- Validation of 280 questions, which included correcting language mistakes and proper numbering of questions.
- Tutorial material was completed based on the principles set out in our December 2010.
- The Kosovo Bank Association (KBA) has reached an agreement with banks on the overall evaluation by the HR/Training departments of the new program set-up; they identified both the (1) areas where training is required and (2) the actual training professionals needed to implement the training.

### **At least 100 students will be certified with internationally recognized certificates; at least 80 of these will be hired by banking/microfinance institutions**

This activity will occur in Q4 if KPEP receives final EBTN accreditation (based on the request submitted by the KBA in March 2011) during Q3. This is in fact the most crucial pending decision.

### **Additional Achievements**

Although it was a very challenging task, KPEP successfully implemented the aforementioned activities with only 60% of the funds allocated originally allocated to us. KPEP accomplished this by using widely available and knowledgeable local expertise instead of depending only on the international expertise that initially KBA planned.

### **Challenges**

Cooperation on the EFCB Course between the University of Pristina's Faculty of Economics and KBA was a challenge. The University demonstrated a lack of willingness to cooperate, even after KBA's numerous attempts to communicate.

**Activities Planned for the Next Quarter**

Although well under way, there are a few activities to be completed:

- Follow up on HACCP accreditation
  - Development of web application for EFCB (European Foundation Certificate in Banking)
  - The Kosovo Bank Association (KBA) has completed the formal application and submitted it to EBTN for review and evaluation. KPEP is awaiting the final accreditation from the EBTN, which KPEP expect to receive in September 2011.
  - As part of the KBA HR/Training activity mentioned above, KPEP will continue with program implementation; this will include a thorough description of the examination procedures in the form of a publicly available regulation for future KBA program participants.
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**Work Force Development**

**Objective 2: Assist selected workforce development institutions to better meet the needs of industry; ensure that training is more practical and experience-based (Ongoing)**

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**Benchmarks**

- **Internships with public institutions are replicated and expanded in at least one other ministry and with municipalities.**

This activity was completed in Q1. No further action required.

- **Industry registers at least 300 interns that are successfully recruited and placed**
- **At least 40% of interns are hired full-time following graduation.**

As planned, 300 interns have already started the program with AFAS-identified institutions, including commercial banks, public owned enterprises, telecommunication companies and several governmental agencies. As per AFAS projections, over 50% of these interns will stay on as full-time employees following the internship program. This projection is mainly based on the skills needs communicated by companies like IPKO and the Illyria Insurance Company.

- **At least five bi-monthly meetings held with donors on specific WFD issues**

We have already accomplished this activity as a benchmark this past quarter. However as part of an ongoing cooperation with other stakeholders in Kosovo, KPEP is continuing regular and ad-hoc meetings on specific WFD issues.

KPEP plays a core role on employment skilled workers, taken this facet in consideration, KPEP has been identified as a leader and program coordinator in internship program implementation, other stakeholders have asked us to chair the Skilled Internship Program.

- **Challenges**

As the chairing body for the Skilled Internship Program, KPEP faces institutional challenges from the level of cooperation at the university level. This comes is mainly of the result of a lack of willingness by the state university to cooperate.

#### **Activities Planned for the Next Quarter**

- Attend meetings with donors and other stakeholders on issues related to WFD.
- Continue monitoring placements.
- Monitoring and follow-up.

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### **Work Force Development**

#### **Objective 3: Create economic opportunities by enhancing the entrepreneurial skills of young adults (Ongoing)**

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#### **Benchmarks**

- **Entrepreneurship training provided in at least ten new target municipalities.**
- **At least 300 trainees receive tested entrepreneurship training.**

The two previous benchmarks have been completed and have been reported in previous quarters.

- **At least 125 trainees are recruited to participate in advanced entrepreneurship training.**

- **At least 100 youth complete the advanced training program and complete business plans.**
- **At least 40% of business plans are successfully matched with micro-finance resources.**

The second phase of training offered by Business Support Centre Kosovo is complete. Of the 120 finalists who attended the training, 117 presented their business plans to the jury, a process that KPEP closely monitored. As a result of the Memorandum of Understanding between KPEP, BSCK and the Community Development Fund (CDF), 51 candidates were deemed eligible for grants based on the CDF criteria. A special CDF-created commission selected 33 participants who may receive financial support of up to € 10,000.



Certification ceremony from left to right: Mike Martens HeviCert CEO, Gregory Olson USAID, Minister of Labour and Social Welfare, Nenad Rasic, CEO of KEK Arben Gjuka.

- **At least 50 new jobs are created.**
- This benchmark will be addressed in Q4.
- **At least 20% of successful entrepreneurs receive follow-on support.**
- 33 grant awarded enterpreneurs will receive a mentoring session and follow-on support from the CEED-USAID program.
- **Coordination procedures developed with new USAID YEP project.**

The sustainable and promising business ideas of trained entrepreneurs that CDF could not support will be directed to the USAID/YEP grant program and Crimson Capital for possible financing. This benchmark will be addressed more thoroughly in the next quarter.

- **At least 30 business women trained**

Of the 40 certified women who participated in the “Business Women Training” held during the previous quarter, 15 have (1) shown interest in mentoring hours provided by two local trainers and (2) have successfully used new skills acquired to draft project proposals and (3) apply for business expansion grants from the Community Development Fund, with whom KPEP has signed a Memorandum Of Understanding; Though 12 been selected as potential grantees, CDF representatives have yet to visit them as a result of a large work volume. KPEP has offered to conduct visits to these businesses in the following weeks to help select the final winners.

- **Increase sales by up to 10% over Year 2 for business women**

We will address this benchmark in Q4, by receiving the grants as financial support. The awardees will be able to develop and expand their business further.

### **Challenges**

The completion of this activity is planned for Q4 instead of Q3 as a result of CDF’s overwhelming number of clients, which has caused delays in the evaluation process.

### **Additional Achievements**

We condensed the number of entrepreneurship program participants from 51 candidates to 33, based on CDF-established criteria. These 33 participants will receive financial support via a CDF (grant), and professional consultancy from CEED Kosova (MoU signed).

### **Activities Planned for the Next Quarter**

- Because of its increasing workload, KPEP will support CDF to further filter applications for project support from women business owners who participated in the training.
- Monitor entrepreneurship activity.
- Monitor and follow up on entrepreneurship activity.

**Cash for Work and Business Support Activities Northern Kosovo**

During the last quarter, KPEP supported specific actions in Northern Kosovo in the four municipalities of Zubin Potok, Mitrovica North, Zveqan/Zvecan and Leposavic/Leposaviq. KPEP supported sectors that were both specific to the KPEP mandate but also expanded small business support. Additional action included the continuation of Cash for Work Phase II.

During the last quarter, KPEP successfully completed phase II (with 617 workdays) for Cash for Work activities. Phase II of the cash for work program was completed by offering 16,544 work days to previously unemployed young people; they worked as part of the Cash for Work program via a partnership with an NGO based in North Kosovo. Phase I and II generated a total of 28,226 work days of employment to date. Program participants successfully cleaned and beautified 30 distinct areas on the Ibar River. The project engaged the population of each of the four municipalities and generated a significant amount of interest in working. All employees under this scheme paid income tax and mandatory pension contributions.

The following table highlights the activity in North Kosovo in terms of the cash for work program.

Sector	Activity	Progress
Cash For Work	Phase 1 of the Ibar River cleanup. Q1	177 workers worked as part of this phase for three months; 11,682 workdays achieved during Quarter 1.
Cash For Work	Phase 2 of the Ibar River cleanup. Q2	202 workers started to work as part of this phase for three months; 73 others started working in the second month of this phase; 15,926 workdays achieved during Quarter 2.
Cash For Work	Phase 2 of the Ibar River cleanup. Q3	275 workers worked as part of this phase. Out of the total 16 thousand workdays 617 have been implemented in this quarter.

**Grants awarded in North Kosovo this quarter****Business support**

Aves Prom is finalizing the construction of a modern broiler farm with a capacity of 4300 birds per cycle.

## Grants North

Kosovo Q3 € 35,200

Total in Q3 € 35,200

Grants awarded in Q3							
20	Aves Prom	Setting up the Commercial Poultry Farm	AS	Microenterprise	€ 24,080.00		
21	Women Business Association (WBA)	Short Term Employment Generation Activity	CFW	Non-Micro Enterprise Level	€ 11,120		
<b>Total</b>					<b>€ 35,200</b>		



## PERFORMANCE BASED-MANAGEMENT SYSTEM

### 1. Summary

During the period ending June 30, 2011, KPEP-supported firms achieved significant growth in sales, investment, and full time jobs. The cumulative target increase in sales to date was set at €35.1 million. Cumulative Life of the Project (LOP) increase in sales is €61.3 million, which means that KPEP has already exceeded not only the target increase for year three, but also the target

Progress to Date Highlights			
	Q3 Y3 Target	Q3 Y3 Actual	Performance Evaluation
Increase in sales <sup>4</sup> , million Euros	35.1	61.3	↑
Increase in investment, million Euros	14.0	21.3	↑
Increase in exports, million Euros	-	28.4	↑
Increase in number of full time jobs <sup>5</sup>	3,528	2,923	↓
Number of enterprises assisted in KPEP database	104	116	↑
Number of business services providers (BSPs)	34	16	↓
Number of people trained	2,225	6,479	↑

contributed altogether with 2.3 percent.

sales increase for the LOP. The main contributors for the increase in sales are the agriculture sector with 35.9 percent, construction with 33.8 percent, and forestry and wood processing with 22.2 percent, while ICT sector contributed with 3.6 percent, BSPs sector contributed with 2.1 percent and tourism sector with 1.6 percent.

Cumulative LOP investment growth is €21.3 million, already exceeding the LOP target of €20.0 million. The main contributors for an increase in investment are companies in the construction sector with 55.2 percent, agriculture with 25.5 percent, and forestry and wood processing sector with 17 percent. ICT, tourism and recycling sectors

<sup>4</sup> This figure combines sales increase in targeted sectors and BSPs.

<sup>5</sup> This figure combines FTE jobs increase in targeted sectors and BSPs.

During the last quarter alone, there was an increase in investment of €2.5 million in all sectors.

KPEP-assisted companies have added 2,923 full time equivalent (FTE) jobs since the beginning of the project. While KPEP is still below our cumulative target increase to date of 3,528 FTE jobs, this is a very good result given the seasonal nature of our major sectors (agriculture and construction). The KPEP sectors and components account for this as follows: agriculture sector with 42.8 percent, the construction sector with 20.5 percent, forestry and wood processing with 15.4 percent, ICT with 5.5 percent, BSPs with 3.8 percent, tourism sector with 3.7 percent, and recycling with 0.2 percent. KPEP supported one company in textile sector with training, which generated 126 new FTE jobs. In addition, 114 FTE jobs were generated from the KPEP support in the north part of Kosovo. These two figures account for 8.2 percent of the increase in FTE jobs.

During the last quarter alone, there was an increase of 566 FTE jobs in all sectors, which represents the largest increase since the start of the KPEP project.

Cumulative LOP data for exports show an increase over the baseline of €28.4 million. The exports/imports coverage ratio for KPEP supported sectors is at 55.2 percent. The Kosovo-wide data show a 16.0 percent exports/imports coverage ratio for the period from October 2010 to March 2011, the last month that data is available. The main contributors for the increase in exports at KPEP enterprises are agriculture sector with 46.9 percent and construction with 37.9 percent.

Below is the performance of KPEP sectors and sub-sectors for the LOP on the key indicators: sales, exports, jobs and investment.

Sector	Sub-sector	Sales	Exports	FTE	Investments
<b>Agriculture</b>		<b>21,973,138</b>	<b>13,360,844</b>	<b>1,252.39</b>	<b>5,431,807</b>
	Dairy	12,414,462	997,290	322.83	1,651,215
	Fruits and vegetables	10,649,898	5,181,916	425.00	2,510,942
	Non-wood forest products	(1,301,393)	7,181,638	366.80	1,269,650
	Poultry meat procesing	210,171	-	137.76	-
<b>Construction</b>		<b>20,695,288</b>	<b>10,776,467</b>	<b>598.42</b>	<b>11,759,146</b>
	Construction Materials	2,443,028	126,407	199.02	5,362,934
	Road Construction	18,252,260	10,650,060	399.40	6,396,212
<b>ICT</b>		<b>2,202,358</b>	<b>36,750</b>	<b>160.70</b>	<b>240,162</b>
	ICT	2,202,358	36,750	160.70	240,162
<b>Tourism</b>		<b>971,726</b>	<b>638,209</b>	<b>108.31</b>	<b>236,148</b>
	Tourism	971,726	638,209	108.31	236,148
<b>Recycling</b>		<b>80,443</b>	<b>68,735</b>	<b>4.85</b>	<b>3,131</b>
	Recycling	80,443	68,735	4.85	3,131
<b>Other</b>		<b>448,333</b>	<b>134,889</b>	<b>239.39</b>	<b>15,000</b>
	Other	448,333	134,889	239.39	15,000
<b>Forestry&amp;Wood Processing</b>		<b>13,594,691</b>	<b>3,453,766</b>	<b>449.35</b>	<b>3,618,672</b>
	Wood Processing	13,281,481	3,453,766	424.81	3,294,272
	Forestry	313,210	-	24.54	324,400
<b>BSPs</b>		<b>1,292,060</b>	<b>-</b>	<b>109.94</b>	<b>-</b>
	BSPs	1,292,060		109.94	-
<b>Grand Total</b>		<b>61,258,037</b>	<b>28,469,660</b>	<b>2,923.35</b>	<b>21,304,066</b>

During this quarter, a total of 41 new enterprises were added to the PBMS system. This represents a 54 percent increase in the number of enterprises. 21 new companies were added in the fruits and vegetables sub-sector alone.

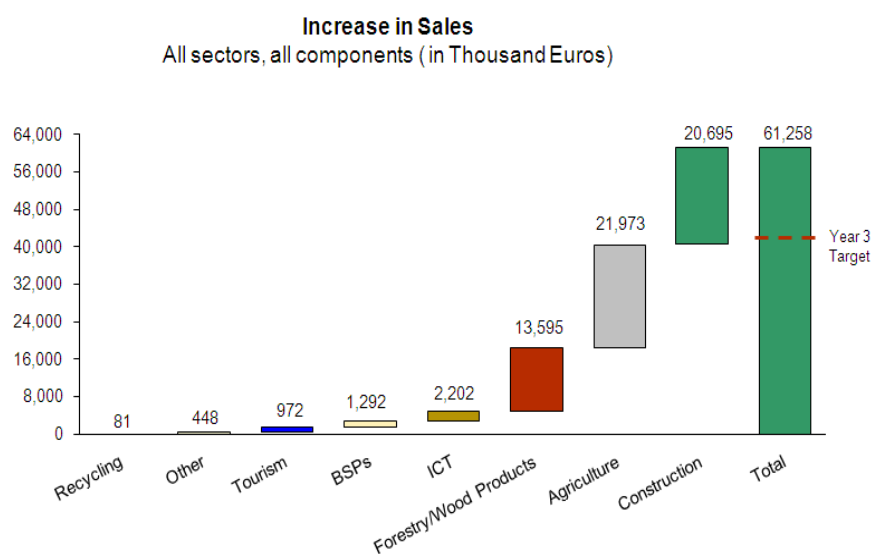
The distribution of the total number of enterprises by sector is as follows: agriculture sector with 49 enterprises, construction sector with 21 enterprises, forestry and wood processing with 17 enterprises, tourism sector with 16 enterprises, ICT with 8 enterprises and recycling sector with 4 enterprises. One company belongs to the textile sector. There are 16 business service providers in the client database of the component two. No new clients were added to this sector during this quarter.

During this quarter, the data was consolidated with a workforce development component. The consolidated data on the number of people trained shows that there are to date, 6,479 people trained since the start of the project, of which 4,842 were males and 1,637 females. Below is given the number of people trained disaggregated by the type of the training for the LOP:

- 2,417 people participated in KPEP supported presentations
- 2,656 attended trainings,
- 36 participated in the twinning partner training program
- 133 participated in roundtables,
- 794 participated in different workshops,
- 224 participated in conferences organized or supported by KPEP, and
- 7 individuals participated in study trips.
- 40 participated in B2B events organized or supported by KPEP.
- 99 participated in field day events organized or supported by KPEP
- 73 participated in promotional events organized or supported by KPEP

## 2. Sales

The total increase in sales reached €61.3 million, both in enterprises under component one (agriculture, construction, forestry and wood products, ICT and tourism sector) and BSPs, under



component two. KPEP has achieved a 41.8 percent growth in sales comparing to the baseline. Target increase was set in the beginning of the project at 24.4 percent over the annualized baseline. The construction and agriculture sectors are still the main

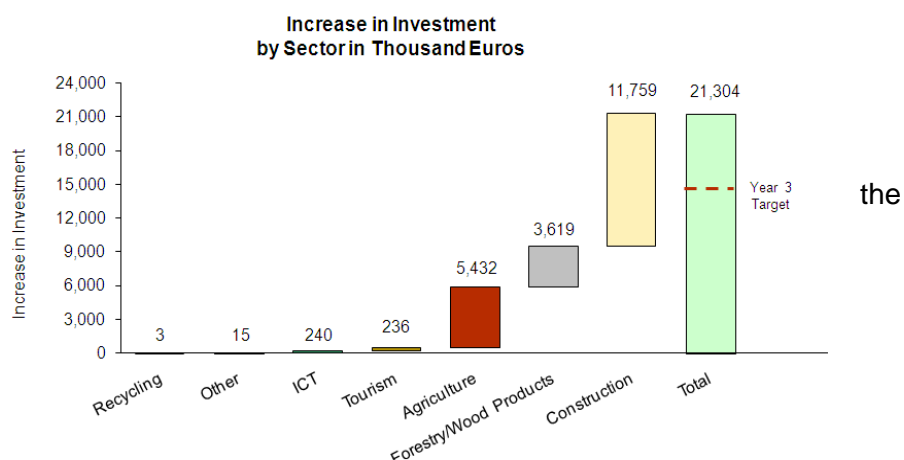
contributors to the sales growth.

The main contributors to this increase are companies: Lesna (wood processing sector), Eurokos, Abi, Pestova, Devolli and Eurofood, Agrounion (agriculture sector), Lin project, Eskavatori and Papenburg&Adriani (construction sector). These companies contribute almost 90 per cent of the total value of the increase in sales. The increase in sales for the LOP of each of these companies was higher than two million Euros. Other important contributors are: Bejta Commerce, Cacctus, Graniti and KAG Asphalt, each of them having more than a one million Euros increase in sales.

### 3. Investment

The total value of investments reached €21.3 million, thus already exceeding the LOP target of €20 million. The construction sector continues to drive the investment growth among KPEP firms, although its share to this growth dropped from 61 percent of the project's total reported increase in investment to 55.2 percent.

This is the result of redirecting the KPEP support from road construction companies to companies in the construction materials sub-sector and agriculture. However, the investments made by these companies

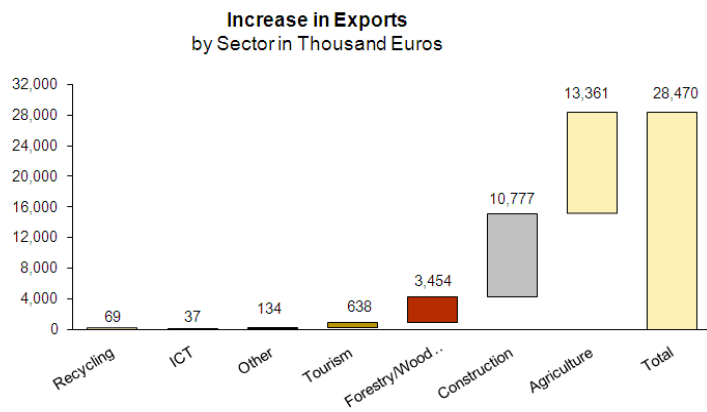


remained in the sector performance data and represent still the highest value of investment. Forestry and wood processing sector contributes to the increase in investment by 17 percent, while agriculture increased its share to 25.5 percent. On the list of top eight investing companies six belong to the construction sector (Eskavatori, Renelual Tahiri, Lin Projekt, Fitorja, Papenburg & Adriani and Graniti), while two are in the wood processing sector (Lesna and Tefik Çanga), all of them having more than one million Euros in investment each. In total, 89 companies out of 116 KPEP client enterprises in component one, made investment since the KPEP project started. These companies mainly invested in new equipment.

During this quarter alone, top investing companies are: fruits and vegetable companies V-Kelmendi and Etlinger, and construction materials company Rizam Holding.

#### 4. Exports

The increase in exports to date for the LOP is €28.4 million. The agriculture sector is the main



contributor to export growth, accounting for 46.9 percent of KPEP enterprises.

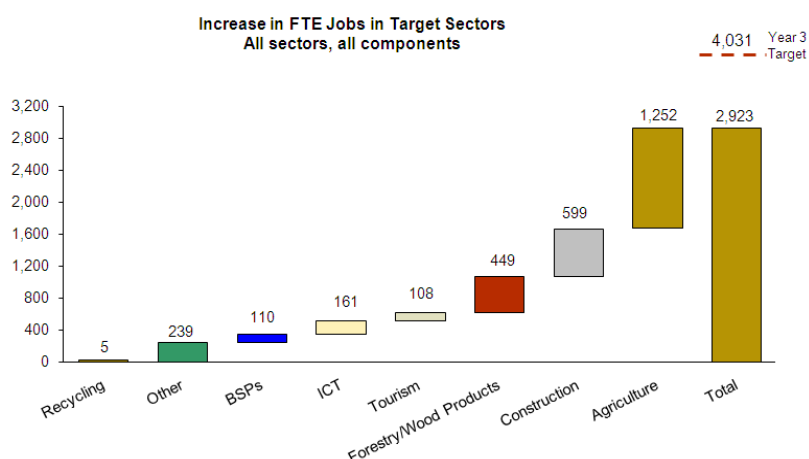
The construction sector has contributed to this increase with 37.9 percent, wood and processing sector with 12.1 percent, and tourism with 2.2 percent. The share of other sectors is negligible.

During the last quarter, total value of exports of KPEP supported enterprises in all targeted sectors were 2.0 million

Euros while imports were 8.8 million Euros. This provides for an export/import coverage ratio of 22 percent for this quarter alone. The export/import coverage ratio for the LOP is 55.2 percent. During the LOP, exports €30,268,161 while imports were €54,860,541. The main exporting companies during this period are Eurokos, KAG Asphalt, Lesna and Pestova, all having exported more than €2 million over the LOP.

#### 5. Full Time Jobs

The total LOP increase in FTE jobs is 2,923, of which 2,813 were created in enterprises in component one and 110 in the business service providers of component two. During the last quarter, 566 new FTE jobs were created in enterprises that operate under Component One

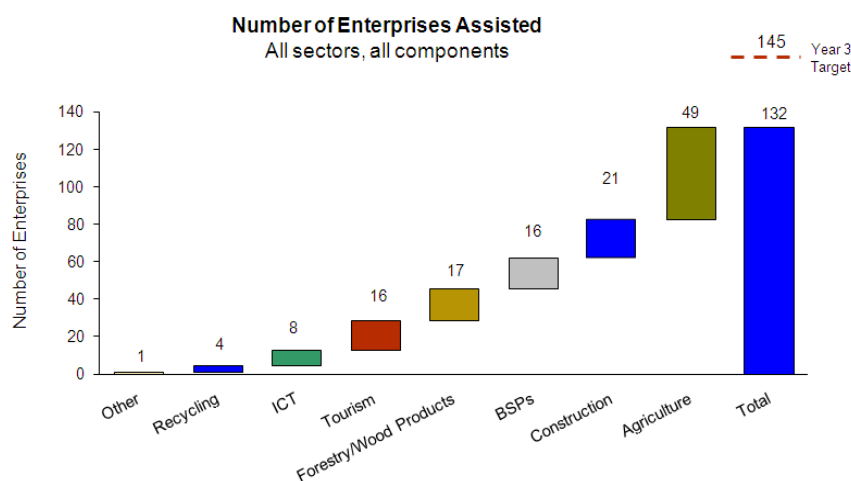


sectors, and 4 new FTE jobs in component two. The share of the agriculture sector to the LOP increase in FTE jobs is 42.8 percent, construction sector has 20.5 percent share, wood processing and forestry 15.4 percent, while other sectors, including the FTE jobs created

through KPEP support in the north of Kosovo have 21.3 percent altogether. The main contributors to this increase are: poultry company Konsoni, textile company Kosovatex, and other companies earlier mentioned in this report: Lesna, Pestova, Cacctus, Bejta Commerce and Eurokos. BSPs achieved an increase of 110 FTE jobs, a figure that is more than three times more than the LOP target of 36 FTE jobs. KPEP is confident that by the end of the project, KPEP will achieve the target increase on FTE jobs of 5,000 FTE jobs.

## Number of Enterprises Assisted

The KPEP client database includes 116 enterprises in component one and 16 enterprises (BSPs) in component two, as of the end of the third quarter of the year three. These are companies that



KPEP has assisted and that have agreed to share their performance data with KPEP (The reach of KPEP in the private sector is much wider than this. KPEP's activities reach more than 660 companies). In this quarter, 41 new companies were added to the PBMS system, 27 in

agriculture sector, three in construction, two in forestry and wood processing, five in tourism, three in ICT and one in recycling sector. From the total number of 75 enterprises in the component one, 49 enterprises belong to the agriculture sector, 21 are construction enterprises, and 17 enterprises are in the forestry and wood processing sector, eight enterprises are in ICT, 16 enterprises belong to the tourism sector, four to the recycling sector.

## 6. Transactional data

During this quarter were reported the results from following events:

- Natyra fair 201- 54 companies from Kosovo and five others from the region participated the event. € 1.1 million in sales are actual and anticipated as a result from this fair.
- 35<sup>th</sup> Furniture Fair in Budva.- KPEP supported companies to participate in the fair. 92,000 euros in sales were reported from the event.

- Mebel Trade Fair in Skopje - KPEP supported companies to participate in the fair. 62,000 euros in sales were reported from the event.
- 8<sup>th</sup> Travel & Tourism Fair in Pristina- KPEP supported the fair. 13,345 euros in sales were reported from the event.
- Company Beha-N supported by KPEP sold wooden products with wine themes to the Tourism Info Center in Rahovec. Value of transaction: 3,240 euros.
- Torusim Fair in Tirana.- KPEP supported companies to participate in the fair. 36,209 euros in sales were reported from the event.

### Microenterprises

USAID's economic growth programs in Kosovo are aimed at value chain improvements through greater competitiveness of firms, and their products and services.

Microenterprises have been an important beneficiary of the USG assistance program. Sectors where competitiveness requires product standardization at the producer level, such as dairy programs, have significant results on microenterprises. Mission support has focused on assistance to sectors where a significant number of micro enterprises participate in the value chain, including organizations in agriculture, tourism, ICT and wood products. The mission also supported microenterprise development in addressing cross cutting issues in workforce development, business enabling environment, and business support services. Below is the list of some projects that were supported by KPEP and that had microenterprise component during the quarter:

Project	Sector/Component
Dairy Promotion	Agriculture
Rahovec Tourism Map Proposal	Tourism
Supply of milking machines to Gracanica Municipality/ Bylmeti partnership	Agriculture
Strengthening System of collection through assistance in buying a small scale equipment or cleaning of blueberries, Rose hips and other NWFP products	Agriculture
Production of cardboard crates for fruits and vegetables	Agriculture
Purchase and Installation of Central Green House	Agriculture



Heating	
Utilization of wood waste and biomass for production of briquettes	Wood processing
Internship Program for Adaptiv BPO Competence Center	ICT
Establishment of green house of 3000m2	Agriculture
Setting up the Commercial Poultry Farm	Agriculture
1. FAM Trip to Kosovo with Polish tour operators 2. Development and printing of promotional materials for KATA 3. Organizing the tourism Job Fair 2011	Tourism
Improvement of dpz "Fitimi" agricultural products and processing	Agriculture

## 7. PBMS Methodology

The Performance Based Management System (PBMS) monitors progress against program targets, facilitates reporting of the results attributable to KPEP efforts and provides data for reporting to USAID. It identifies successful enterprise, sector and industry clients, interventions and consultants and allows the team to compare projected results to actual results on a monthly, quarterly, semi-annual and annual basis. The baseline and targets are set for all indicators for the life of the project (LOP).

- Data collection

KPEP specialists worked with the client enterprises to establish baseline data. Initial baseline data is recorded for the period just prior to implementation of activities that contribute to achievement of results, enabling comparison when measuring progress toward a specific result or objective. The baseline provides a snapshot of a performance indicator as a point of reference.

For enterprises, baseline data includes jobs, sales, production, investments, foreign direct investment and partnerships. The KPEP specialists are responsible for data collection from enterprises. The PBMS Specialist reviewed the information received and performed quality control. After that, the PBMS specialist entered the data into the project's database. The reports produced from the access database and excel spreadsheets are used for inclusion in quarterly reports to USAID.

- Quality of the data

The sector specialists are responsible for the first-level data quality control. The quality checks have been made to ensure that data collected and included in the database are accurate and reliable. Every single transaction entered in the database was double checked for accuracy.

- Data verification

The PBMS specialist conducts site visits and interviews with representatives from the client enterprises and organizational partners to verify the results that have been reported. In addition to verification of the accuracy and consistency of the results reported, the PBMS specialist also will determine whether the results were caused by the KPEP intervention and are thus attributable to the project.

- Status of the Indicators

The status of Project Indicators is set out in the Annex 1 entitled *Report on Indicators*. This Annex gives the status of all indicators from the PMP.

## 8. Attribution

The KPEP Attribution Process is a method of assigning results more specifically to KPEP interventions. In the past, KPEP (and KCBS before it) has captured the quarterly revenue, investment, and job data from our client partners and reported it exactly as it is received regardless of the level of assistance provided to that firm. KPEP will continue to report data in this manner. The KPEP Attribution Process will help capture transaction level data and will assign a percentage of quarterly revenue that KPEP can reasonably be responsible for and accountable for. This system captures limited individual transactions in which KPEP is involved from non-client firms.

While KPEP supports, monitors, collects the information and evaluates the impact on its direct clients, there are many cases that KPEP support goes beyond those direct clients. For example, KPEP supports 20 companies, members of a wood processing association to participate in a trade fair, say in Germany. Five of those companies are direct KPEP clients. The KPEP support includes training on trade fairs, covering travel expenses, organizing the meetings with companies during the fair etc. Suppose that three companies (two of them non-KPEP clients, one direct KPEP client) acquired machinery worth in total 100,000 Euros (non-KPEP clients-80,000 Euros). So, KPEP organized a trip to Germany, covered some expenses and intermediated these transactions. The KPEP attribution on investments for non-KPEP clients would be 100% on this transaction. This is transaction based support. For KPEP clients, the attribution percentage will be calculated taking into account also other KPEP activities that supported the company during the quarter. In general, this percentage would be lower than 100%.

The attribution exercise will add valuable insight into the effectiveness of our interventions in specific sectors and can inform our future investment decisions.

The steps are as follows:

1. Collect transactional data on an ongoing basis from both KPEP and non-KPEP firms
2. Collect quarterly data from KPEP firms as usual
3. Subtract transactional data from quarterly data for KPEP client firms
4. Assign an attribution percentage (based on guidelines below) to the remaining client sales based on KPEP activities and support. This percentage should be assigned based on activities, regular formal evaluations by the clients as well as informal discussions with the client firms

5. Meet as a team inclusive of USAID and outside perspective to debate and defend assigned percentages, come to consensus and consistency across sectors, and discuss problem areas (cases when sales when down relative to the baseline for example)
6. Report both gross numbers and attributable numbers to USAID
7. Use attributable numbers to calculate rough ROI for internal management purposes

**Scoring:** Sector specialists will assign a ranking for each company in each quarter based on what percentage of the firm's quarterly sales, investment or jobs created KPEP can reasonably take credit for. Scores will be assigned in quartiles 0, 25, 50, 75, or 100%.

<b>Scoring Criteria</b>	
<b>0%</b>	No support was given to the firm in this quarter (includes technical assistance, grants, training, or any activities listed above)
<b>25%</b>	1 medium level activity, or 1-2 low impact activities performed with the client firm having a result on sales, investment or jobs
<b>50%</b>	1 to 2 high level impact activity or 3 or more medium level impact activities (or a combination of low, medium, and high level impact activities)
<b>75%</b>	3 or more high level impact activities (or a combination of activities that includes 2 or more high level and 3 or more medium level activities)
<b>100%</b>	An intensive combination of all levels of activities with a single firm. A 100% ranking should be reserved for only those firms who have received extensive support throughout the reporting period.

**Scoring Guidelines:** List of generic activities with low, medium, and high-level impact rankings with respect to sales, investment, and job creation for client firms. These activities are to be viewed as guidelines and Sector Specialists may describe other activities not categorized below in supporting the ranking they assign to a client firm.

High Impact	Medium Impact	Low Impact
<ul style="list-style-type: none"> <li>• Buyer meetings/introductions</li> <li>• Buyer – Seller negotiations</li> <li>• New product development</li> <li>• Investor materials/presentations</li> <li>• Internships</li> <li>• Agriculture aggregation</li> <li>• Transport and logistics</li> <li>• Other –describe</li> </ul>	<ul style="list-style-type: none"> <li>• Marketing campaigns</li> <li>• Marketing support</li> <li>• Packaging and branding support</li> <li>• Market research</li> <li>• Advisory services</li> <li>• Study tours</li> <li>• Partnership facilitation</li> <li>• Storage facility construction</li> <li>• Management support</li> <li>• Training</li> <li>• Agronomy/productivity support</li> <li>• Certification training</li> <li>• Certification preparation support</li> <li>• Standards preparation</li> <li>• Other –describe</li> </ul>	<ul style="list-style-type: none"> <li>• Trade fairs</li> <li>• Conferences</li> <li>• Agriculture demonstration plots</li> <li>• Feasibility studies</li> <li>• National strategies</li> <li>• Export plans</li> <li>• Other – describe</li> </ul>

Following are the results on the attribution regarding four main indicators: sales, jobs, exports and investment.

1. KPEP attribution on sales

1.1. Total KPEP

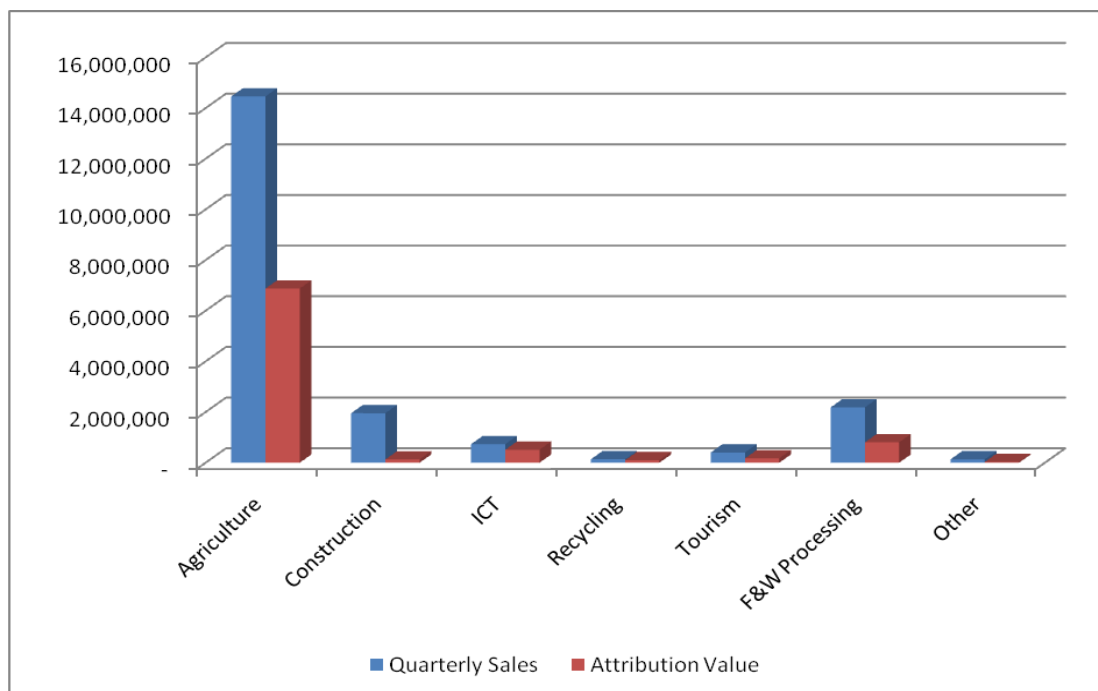
Total Quarterly Sales KPEP Firms	€ 20,013,338
Total KPEP Attributable Sales	€ 8,634,288
<b>Attribution % for the quarter</b>	<b>43.1%</b>
Total Quarterly Sales Non-KPEP Firms	€ 955,435
Total Non-KPEP Attributable Sales	€ 955,435
<b>Attribution % for the quarter</b>	<b>100.0%</b>
Total Sales	€ 20,968,773
Total KPEP Attributable Sales	€ 9,589,723
<b>Total Quarter Attribution %</b>	<b>45.7%</b>

1.2. By sub-sector

Sector	Sub-sector	Quarterly Sales	Attribution Value	% Attribution
<b>Agriculture</b>		<b>14,462,027</b>	<b>6,876,708</b>	<b>47.6%</b>
	<b>Dairy</b>	<b>5,356,826</b>	<b>2,678,913</b>	<b>50.0%</b>
	<b>Fruits and vegetables</b>	<b>8,381,501</b>	<b>3,921,249</b>	<b>46.8%</b>
	<b>Non-wood forest products</b>	<b>581,288</b>	<b>205,341</b>	<b>35.3%</b>
	<b>Poultry meat</b>	<b>142,412</b>	<b>71,206</b>	<b>50.0%</b>

	<b>processing</b>			
<b>Construction</b>		<b>1,955,294</b>	<b>131,114</b>	<b>6.7%</b>
	<b>Construction Materials</b>	<b>1,955,294</b>	<b>131,114</b>	<b>6.7%</b>
	<b>Road Construction</b>	<b>-</b>	<b>-</b>	
<b>ICT</b>		<b>731,409</b>	<b>513,016</b>	<b>70.1%</b>
	<b>ICT</b>	<b>731,409</b>	<b>513,016</b>	<b>70.1%</b>
<b>Recycling</b>		<b>137,848</b>	<b>100,091</b>	<b>72.6%</b>
	<b>Recycling</b>	<b>137,848</b>	<b>100,091</b>	<b>72.6%</b>
<b>Tourism</b>		<b>405,393</b>	<b>173,951</b>	<b>42.9%</b>
	<b>Tourism</b>	<b>405,393</b>	<b>173,951</b>	<b>42.9%</b>
<b>Forestry &amp; Wood processing</b>		<b>2,186,477</b>	<b>805,686</b>	<b>36.8%</b>
	<b>Wood Processing</b>	<b>1,980,277</b>	<b>780,736</b>	<b>39.4%</b>
	<b>Forestry</b>	<b>206,200</b>	<b>24,950</b>	<b>12.1%</b>
<b>Other</b>		<b>134,890</b>	<b>33,723</b>	<b>25.0%</b>
	<b>Other</b>	<b>134,890</b>	<b>33,723</b>	<b>25.0</b>
<b>Grand Total</b>		<b>20,013,338</b>	<b>8,634,288</b>	<b>43.1%</b>

Of the total value of sales of €20,013,338, KPEP's attribution is €8,634,288 or 43.1% of the total amount of the quarterly sales of the KPEP clients.



## 2. KPEP attribution on exports

### 2.1. Total KPEP

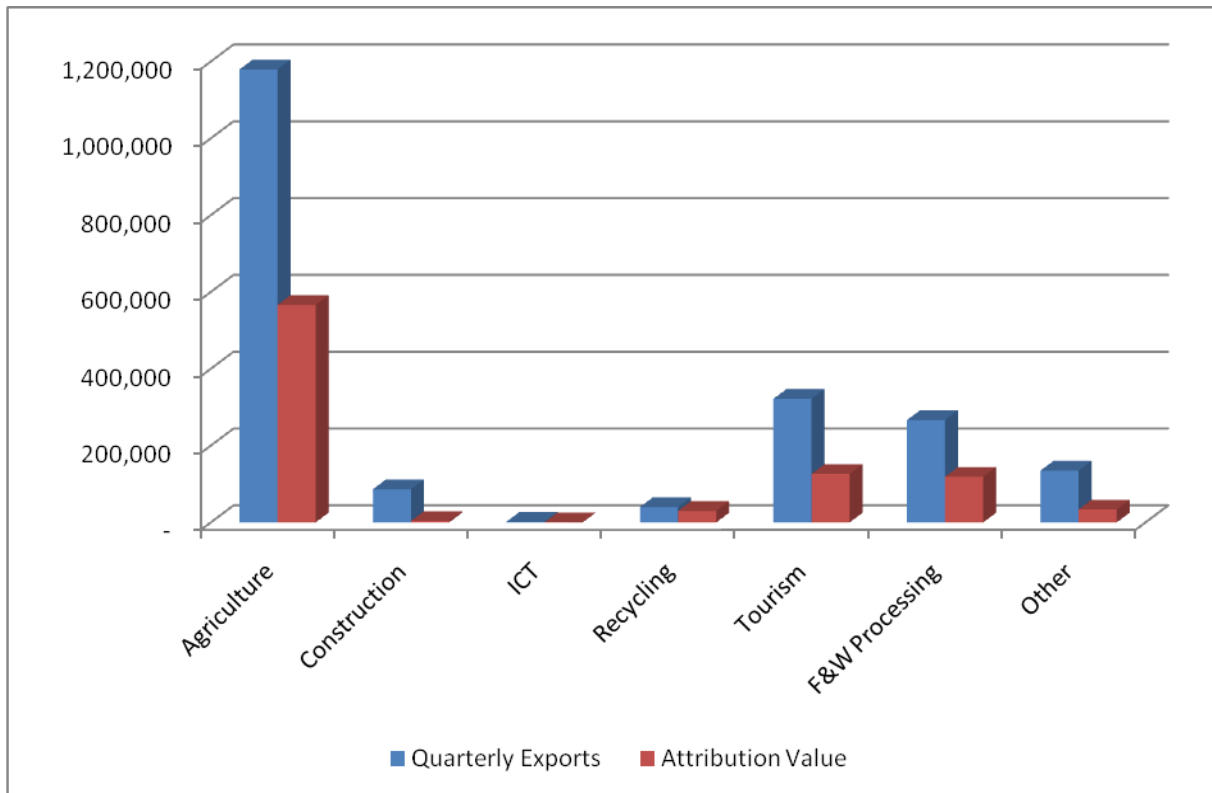
Total Quarterly Exports KPEP Firms	€ 2,030,652
Total KPEP Attributable Exports	€ 879,553
<b>Attribution % for the quarter</b>	<b>43.3%</b>
Total Quarterly Exports Non-KPEP Firms	€ 0
Total Non-KPEP Attributable Exports	€ 0
<b>Attribution % for the quarter</b>	<b>0%</b>
Total Exports	€ 2,030,652
Total KPEP Attributable Exports	€ 879,553
<b>Total Quarter Attribution %</b>	<b>43.3%</b>



## 2.2. By sub-sector

Sector	Sub-sector	Net quarterly data	Attribution Value	% Attribution
Agriculture		1,179,194	566,158	48.0%
	Dairy	40,767	26,198	64.3%
	Fruits and vegetables	521,999	307,084	58.8%
	NWFP	616,428	232,876	37.8%
	Poultry meat processing	0	0	
Construction		86,424	3,935	4.6%
	Const. Materials	86,424	3,935	4.6%
	Road Construction	0	0	
ICT		1,750	438	25.0%
	ICT	1,750	438	25.0%
Recycling		40,062	30,047	75.0%
	Recycling	40,062	30,047	75.0%
Tourism		321,789	126,352	39.3%
	Tourism	321,789	126,352	39.3%
Forestry & Wood Processing		266,544	118,902	44.6%
	Wood Processing	266,544	118,902	44.6%
	Forestry	0	0	
Other		134,889	33,722	25.0%
	Other	134,889	33,722	25.0%
Grand Total		2,030,652	879,553	43.3%

Of the total value of exports of €2,030,652, KPEP's attribution is €879,553 or 43.3% of the total amount of the quarterly export sales of the KPEP clients.



## 3. KPEP attribution on investment

## 3.1. Total KPEP

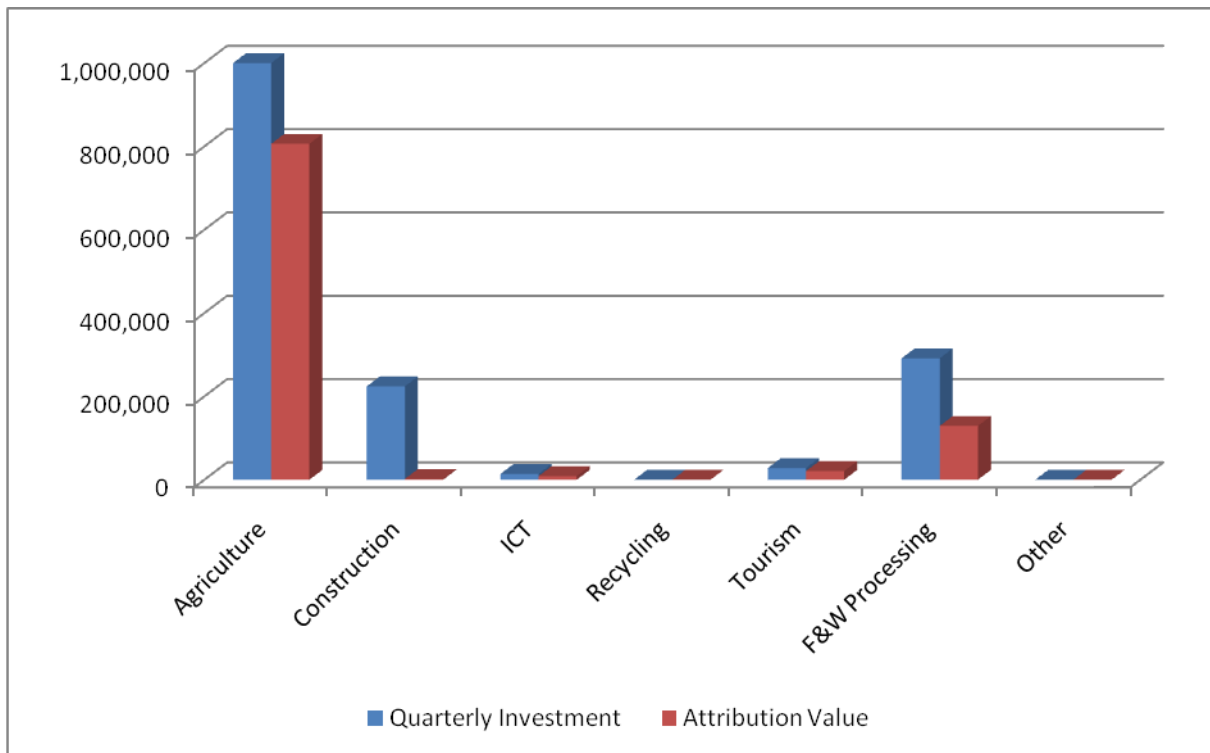
Total Quarterly Investments KPEP Firms	€ 2,476,689
Total KPEP Attributable Investments	€ 966,671
<b>Attribution % for the quarter</b>	<b>39.0%</b>
Total Quarterly Investments Non-KPEP Firms	€ 0
Total Non-KPEP Attributable Investments	€ 0
<b>Attribution % for the quarter</b>	<b>0%</b>
Total Investments	€ 2,476,689
Total KPEP Attributable Investments	€ 966,671
<b>Total Quarter Attribution %</b>	<b>39.0%</b>

## 3.2. By sub-sector

Sector	Sub-sector	Net quarterly data	Attribution Value	% Attribution
Agriculture	Dairy	57,376	40,920	71.3%
	Fruits and vegetables	1,441,886	605,818	42.0%
	NWFP	420,350	159,463	37.9%
	Poultry meat processing	-	-	
Agriculture Total		1,919,612	806,200	42.0%

Construction	Const. Materials	223,952	1,945	0.9%
	Road Construction	-	-	
Construction Total		223,952	1,945	0.9%
ICT	ICT	13,825	8,626	62.4%
ICT Total		13,825	8,626	62.4%
Recycling	Recycling	-	-	
Recycling Total		-	-	
Tourism	Tourism	28,000	20,750	74.1%
Tourism Total		28,000	20,750	74.1%
Other	Other	-	-	
Other Total		-	-	
Forestry and Wood processing	Wood Processing	272,300	129,150	47.4%
	Forestry	19,000	-	0.0%
Forestry and Wood processing Total		291,300	129,150	44.3%
Grand Total		2,476,689	966,671	39.0%

Of the total value of investments of €2,476,689, KPEP's attribution is €966,671 or 39.0% of the total amount of the quarterly investments of the KPEP clients.



## 4. KPEP attribution on employment

## 4.1. Total KPEP

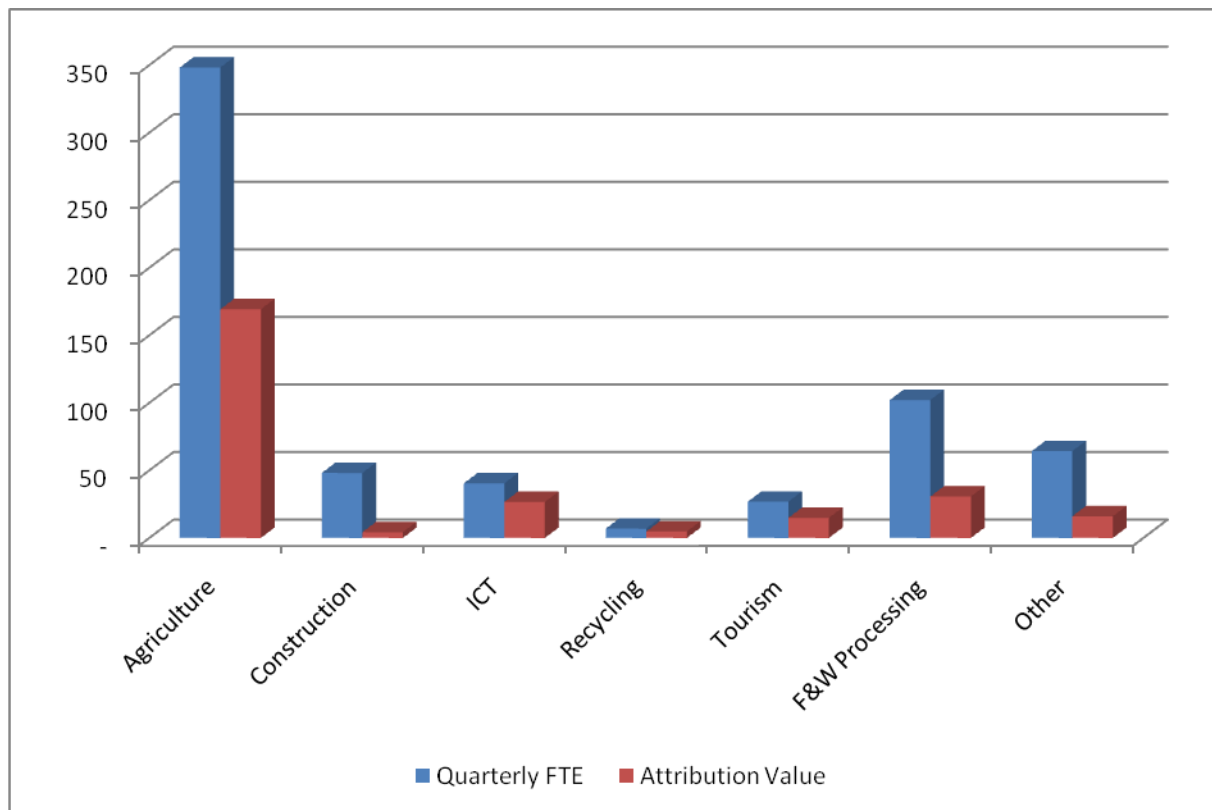
Total Quarterly FTE KPEP Firms	€ 637
Total KPEP Attributable FTE	€ 266
<b>Attribution % for the quarter</b>	<b>41.8%</b>
Total Quarterly FTE Non-KPEP Firms	€ 0
Total Non-KPEP Attributable FTE	€ 0
<b>Attribution % for the quarter</b>	<b>0%</b>
Total FTE	€ 637
Total KPEP Attributable FTE	€ 266
<b>Total Quarter Attribution %</b>	<b>41.8%</b>

## 4.2. By sub-sector

Sector	Sub-sector	Net quarterly data	Attribution value	% Attribution
Agriculture	Dairy	56.95	29.62	52.0%
	Fruits and vegetables	216.43	109.40	50.5%
	NWFP	58.67	22.17	37.8%
	Poultry meat processing	16.17	8.09	50.0%
Agriculture Total				48.6%

		348.23	169.27	
Construction	Const. Materials	48.10	4.25	
	Road Construction	-	-	
Construction Total		48.10	4.25	8.8%
ICT	ICT	40.39	26.60	
ICT Total		40.39	26.60	
Recycling	Recycling	6.88	4.77	69.4%
Recycling Total		6.88	4.77	69.4%
Tourism	Tourism	26.82	14.82	
Tourism Total		26.82	14.82	55.3%
Other	Other	64.25	16.06	25.0%
Other Total		64.25	16.06	
Forestry and Wood Processing	Wood Processing	92.75	29.44	31.7%
	Forestry	9.34	1.20	12.8%
Forestry and Wood Processing Total		102.09	30.63	
Grand Total		636.75	266.41	41.8%

Of the total number of 636.75 FTE jobs created during this quarter, KPEP's attribution is 266.41 FTE jobs, or 41.8% of the total amount of the quarterly FTE jobs of the KPEP clients.





## Multipliers

Using multipliers to estimate total economic impact or the employment impact of direct sales and growth of a particular industry is a common economic tool. There are numerous methodologies and academic studies used to develop, calculate and detail multipliers for particular sectors in specific economies. However, the process for developing a multiplier for specific sectors in Kosovo would be potentially costly and the data may not be available or accurate. Instead, KPEP collected multipliers on KPEP sectors from a wide range of sources and extrapolated multipliers KPEP could use on an anecdotal basis.

One important tool that is widely used to evaluate economic development impacts is the *economic impact analysis*. Economic impact analyses measure the potential impact of economic decisions by business, government, and consumers on an economy.

An economic impact analysis is based on the concept of the *multiplier*. The multiplier is the relationship between some change in an economy and the succeeding economic activity that occurs as a result of that change. Consider the location of a new automobile parts manufacturer. Initial projections of the impact of the firm would likely include estimates of the number of new jobs and the income earned by the new workers. This is called the *direct effect*, which is an initial change in the economy.

But there are other effects as well. It is likely that the new plant will require inputs of goods and services from other local businesses. These purchases generate new jobs and income in those allied industries. These spin-off activities are referred to as *indirect effects*. In addition, the new workers in the parts plant and the employees in the supporting industries spend a portion of their income locally to meet household needs, and this spending creates new jobs and income. The jobs and spending created as a result of these activities are called the *induced effect*.

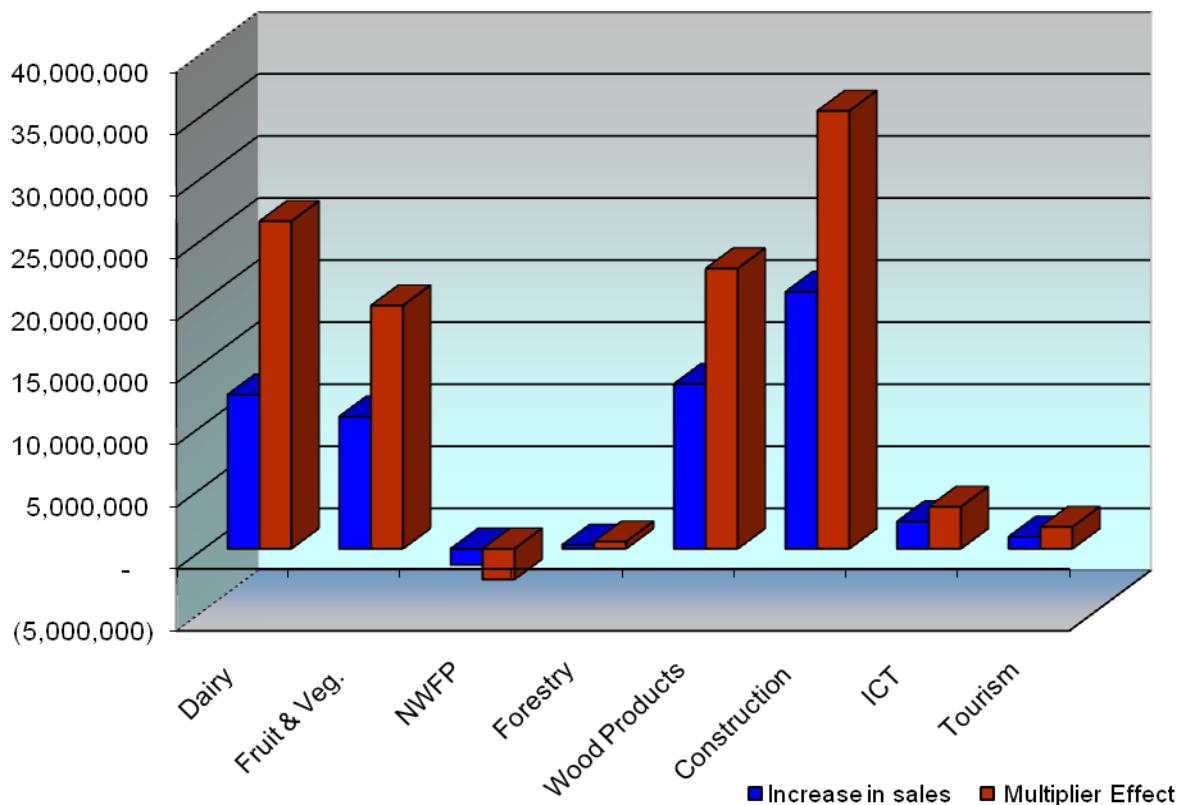
The sum of the direct, indirect, and induced effects is the *total effect*. The process of job creation and income generation continues so long as some portion of spending remains local. The multiplier is an estimate of how much additional economic activity will result from some new investment in an economy. "Multiplier" is an appropriate term, because the original investment is "multiplied" by the multiplier to obtain the total economic impact

KPEP developed the average multipliers for each KPEP sector. Minor sub-sectors, like metal processing and poultry meat processing are not included in the calculation.

Sector	Economic Impact	Employment
Dairy	2.13	1.84
Fruit and Vegetable	1.84	1.96
Non-Wood Forest Products	1.90	1.58
Forestry	1.84	1.89
Wood Products	1.70	1.66
Construction	1.70	1.84
ICT	1.54	1.57
Tourism	1.81	1.39

### 1. Economic Impact

Sector	Increase in sales	Economic Impact	Multiplier Effect
Dairy	12,414,462	2.13	26,380,732
Fruit & Veg.	10,649,898	1.84	19,595,812
NWFP	(1,301,393)	1.90	(2,472,647)
Forestry	313,210	1.84	576,306
Wood Products	13,281,481	1.70	22,578,517
Construction	20,695,288	1.70	35,270,684
ICT	2,202,358	1.54	3,380,620
Tourism	971,906	1.81	1,759,150
<b>TOTAL</b>	<b>59,227,210</b>		<b>107,069,174</b>

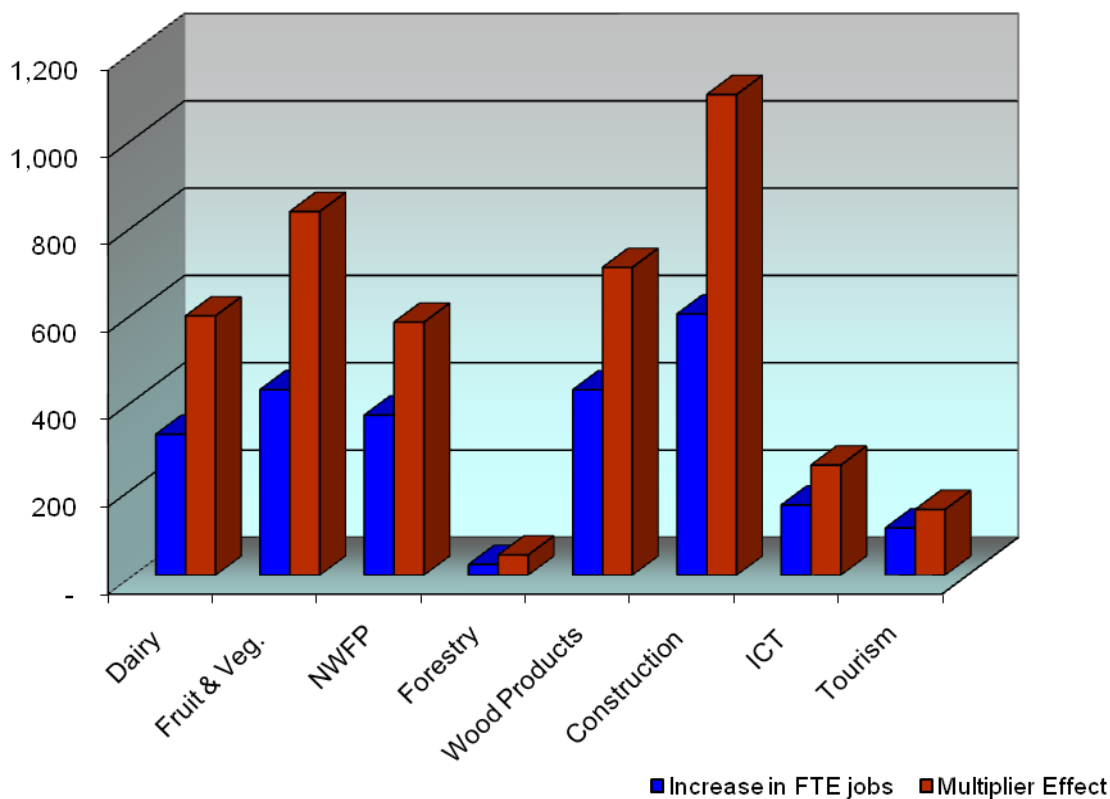


So, the multiplier effect for the total increase in sales for the LOP of € 59,227,210 is €107,069,174. On average, for one-euro increase in sales, another € 1.80 has been generated all the way through the value chain of KPEP targeted sectors.

If KPEP uses these data and compare them with the LOP target on sales, which has been set at a€50 million increase, KPEP has already exceeded this target, although KPEP does not have multipliers for all sectors.

**2. Employment**

<b>Sector</b>	<b>Increase in FTE jobs</b>	<b>Employment</b>	<b>Multiplier Effect</b>
Dairy	322.83	1.84	594.01
Fruit & Veg.	425.00	1.96	833.00
NWFP	366.80	1.58	579.54
Forestry	24.54	1.89	46.37
Wood Products	424.81	1.66	705.18
Construction	598.42	1.84	1,101.09
ICT	160.70	1.57	252.30
Tourism	108.31	1.39	150.55
<b>TOTAL</b>	<b>2,431.40</b>		<b>4,262.05</b>



The multiplier effect for the total increase in employment for the LOP of 2,431.40 FTE jobs is 4,262.05 FTE jobs. On average, for every one new FTE job, another 1.75 FTE jobs have been generated all the way through the value chain of KPEP targeted sectors.

If one uses these data and compare them with the LOP target on FTE jobs, which has been set at 3,500 new FTE jobs at the end of the Y3, KPEP has exceeded this target, although KPEP does not have multipliers for all sectors.

## Strategic Activities Fund (SAF)

**SAF Review Committee:** SAF organized six SAF review committee meetings this reporting period. During this reporting period, KPEP received 40 concept papers. Of these, KPEP approved 7, requested further information from 4, rejected 10 and KPEP is in the process of evaluating 30 from North Kosovo.

**Requests for Proposals:** During this reporting period, KPEP issued 5 Requests for Proposals. KPEP placed the RFP advertisement on the KPEP website, while one RFP was issued as a sole source. KPEP issued three subcontracts from these RFPs.

In this quarter, were awarded three subcontracts valued at €16,250 (\$23,079), 20 grant agreements and one additional grant from Women Business association (WBA) valued at €460,479 (\$707,877). The total value of subcontracts and grants awarded this quarter was €476,729 (\$730,956).

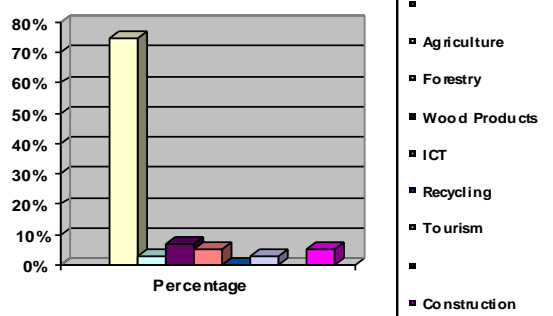
Cumulative value of KPEP subcontracts and grants awarded this reporting period

Grant	€ 425,279	89%
Sub-contract	€ 16,250	3%
Grants-North		
Kosovo	€ 35,200	7%
	€ 476,729	100%

Grants and subcontracts awarded comprised the following KPEP approved sectors: Agriculture (75%), Forestry (3%), Wood Products (7%), ICT (5%), Tourism (3%), Cash for Work (CFW) (2%), and Construction, (5%).

Cumulative value of the KPEP subcontracts and grants by sectors

Distribution of awards by sectors during Q3/Year3		
<b>Agriculture</b>	€ 356,205.00	75%
<b>Forestry</b>	€ 15,113.00	3%
<b>Wood Products</b>	€ 35,000.00	7%
<b>ICT</b>	€ 23,520.00	5%
<b>Tourism</b>	€ 13,875.00	3%
<b>CFW</b>	€ 11,120.00	2%
<b>Construction</b>	€ 21,896.00	5%
<b>Total</b>	<b>€ 476,729</b>	<b>100%</b>



Fixed price subcontracts were awarded to the following companies:

Fixed price subcontracts were awarded to the following companies						Type of ER Checklist		
No.	Awardees	Short description of the project	Sector	Enterprise level	Total in EUR	Cat. Exclusion	Neg. Determination	Pos. Determination
1	Republika - Marketing Communication Agency	Dairy Promotion	AS	Micro Enterprise Level	€ 10,650.00	X		
2	KosovoGuide.com	Rahovec Tourism Map Proposal	TS	Micro Enterprise Level	€ 2,400.00	X		
3	N.T.P.YAPRAK	Supply of milking machines to Gracanica Municipality/ Bylmeti partnership	AS	Micro Enterprise Level	€ 3,200.00	X		
<b>Total</b>					€ 16,250			



Grants were awarded to the following organizations:

Grants awarded						Type of ER Checklist		
	Awardees	Short description of the project	Sector	Enterprise level	Total in EUR	Cat. Exclusion	Neg. Determination	Pos. Determination
1	Scardus	Strengthening System of collection via assistance in buying small scale equipment or cleaning of blueberries, rose hips and other NWFP products	AS	Microenterprise	€ 25,000.00		X	
2	Eminel	Production of cardboard crates for fruits and vegetables	AS	Microenterprise	€ 25,000.00		X	
3	Agroalbi	Purchase and installation of heating systems for drying chamber technology	AS	Non-Micro Enterprise Level	€ 15,000.00		X	
4	Mali	Education of forest owners' children	FS	Non-Micro	€ 15,113.00	X		

		to manage Kosovo forests based on the grandfather's tradition - "My Forest"		Enterprise Level				
5	Grate Farmere	Purchase of vegetable processing equipments and cold storage	AS	Non-Micro Enterprise Level	€ 25,370.00		X	
6	Malina Mesecarka Vilamet Miker - MVM	Establishment of 40 demonstration plots	AS	Non-Micro Enterprise Level	€ 16,000.00	X		
7	DST Produkt	Purchase and Installation of Central Green House Heating	AS	Microenterprise	€ 15,300.00		X	
8	Thesari	Utilization of wood waste and biomass for production of briquettes	WS	Microenterprise	€ 35,000.00		X	
9	Adaptivit	Internship Program for Adaptivit BPO Competence Center	ICT	Microenterprise	€ 23,520.00		X	
10	Las Pallmas	Establishment of green house of 3000m2	AS	Microenterprise	€ 30,000.00		X	
11	Agroprodukt Syne	Purchase of small scale equipment for cleaning and grading of berries	AS	Non-Micro Enterprise Level	€ 35,000.00		X	
12	Kosovo Alternative Tourism	1. FAM Trip to Kosovo with Polish tour operators 2. Development and	TS	Microenterprise	€ 11,475.00		X	

	Association (KATA)	printing of promotional materials for KATA 3. Organizing the tourism Job Fair 2011						
13	Intercoop	Improvement of Packaging technology for potato processing through new packing machine	AS	Non-Micro Enterprise Level	€ 35,000.00		X	
14	Euroлона	Installation of new yogurt packing line for fruit yogurt and other processed dairy products such as cream cheese and ayron.	AS	Non-Micro Enterprise Level	€ 26,000.00		X	
15	Besiana	Purchase of materials and equipment to implement HACCP	AS	Non-Micro Enterprise Level	€ 7,230.00		X	
16	Rizam Holding	Laboratory establishment for examination and testing of the raw clay material, technological process and final brick products	CS	Non-Micro Enterprise Level	€ 21,896.00		X	
17	DPZ Fitimi	Improvement of dpz "Fitimi" agricultural products and processing	AS	Microenterprise	€ 19,275.00		X	
18	Rugova	Introducing new dairy equipment to Kosovo for the first time, purchasing and installing the Multivac cheese	AS	Microenterprise	€ 15,000.00		X	

		packaging Equipment						
19	Rizona	Modernization of plant for vegetable conservation for EU market (conservation, labeling, packing and quality products)	AS	Non-Micro Enterprise Level	€ 29,100.00		X	
Grants awarded in North Kosovo								
20	Aves Prom	Setting up the Commercial Poultry Farm	AS	Microenterprise	€ 24,080.00		X	
21	Women Business Association (WBA)	Short Term Employment Generation Activity	CFW	Non-Micro Enterprise Level	€ 11,120	X		
<b>Total</b>					<b>€460,479</b>			

We awarded 50% of our grants to Micro-enterprises and 50% to Non micro-enterprises during this reporting quarter.

Distribution of Awards by Type of Enterprises		
Enterprise	% of total	Euros
Micro-enterprise	50%	€ 239,900
Non micro-enterprise	50%	€ 236,829
<b>Total</b>	<b>100%</b>	<b>€ 476,729</b>

## **Women**

This quarter, KPEP continued supporting client businesses that are created and led by women. Additionally, KPEP supported women trainees, who received basic business training last quarter.

The Work Force Development sector has completed training for 40 women; the program started at the beginning of second quarter. Fifteen of the certified women received (1) mentorship for business development and (2) grant application support. Twelve of these women have been selected as potential candidates for World Bank grants. The grants will be awarded following an inspection visit by the Community Development Fund, which manages the World Bank grant program.

The Fruit and Vegetable sector continued supporting women agricultural organizations. During this quarter, the sector:

- Organized a promotional event to mark the successful implementation of a € 30,000 USAID grant. This activity is a key strategy to increase the rating of the products. The Minister of Agriculture Forestry and Rural development participated in the event, which was broadcasted by three national television stations.
- The biggest cash for work project located in North Kosovo was implemented by two female headed NGOs: Mundesia and the Women's Business Association. The project was completed during this quarter. The head of the Women's Business Association had the unique opportunity to present the project to U.S. Assistant Secretary of State Philip Gordon.

The following is employment data by gender, as reported by companies in April, May and June.

Male full time	Female full time	Male part time	Female part time
1302	587	255	132

**Minorities**

KPEP has made a special effort to work on projects that focus on minorities. USAID strives to undertake projects in minority-populated areas of Kosov. KPEP has implemented a series of activities to support public works, employment and assistance to private business.

The following is a list of minority and multi-ethnic focused activities and initiatives:

- The second phase of the cash for work program included the successful cleaning of 30 distinct areas across Northern Kosovo; 170 individuals were engaged in this project over a three-month period, for a total of 16 thousand workdays. KPEP is preparing an additional cash for work project in the future.
- KPEP disbursed a \$31,700 grant to Aves, a broiler company in Zvecane/Zvecan in North Kosovo. The grant was approved last quarter.
- KPEP has made all necessary preparations to initiate commercial thinning of 300 ha of stand forest. The area is located in the predominantly Serbian area of the Leposavic/Leposaviq municipality. The cleaning and thinning process will start next quarter and will engage 1,000 workers (financed in part by the Project) for a period of six months.
- KPEP has promoted the implementation of grants at two green house farms, and one mushroom collection center in Serb dominated Northern Kosovo. Local television stations widely covered these promotional efforts.

*Trade Capacity Building and Facilitation*

In Quarter 3 of Year 3, the Project has continued to work toward trade capacity building and facilitation.

In close cooperation with other donor projects, KPEP has been working on legislative reforms, export increase and foreign direct investment. KPEP has analyzed unfair practices by regional customs authorities and have addressed them with the GoK. KPEP worked with MTI to resolve the price revaluation issue with Albania. As a result, Kosovo was able to export 120,000 liter tons of raw milk to Albania. Additionally, KPEP is developing standard form contracts for agriculture that will simplify and safeguard trade relations.

Additional trade capacity building work includes cross-sector efforts within KPEP. The Project is supporting a number of Kosovo industries to (1) facilitate exports to the region and the EU and (2) to more actively participate in regional and international trade shows in order to develop contacts that can later lead to cooperation.

KPEP continued its assistance to improve product quality and prepare products for export via internationally recognized quality certification. During this quarter, KPEP has continued its assistance for Hazard Analysis Critical Control Points (HACCP) certification. To date, 17 companies, entities, and producers have begun preparations for HACCP certification, and two have extended their organic certification for another year.

- Two dairies -- Kabi and Rugova -- began working toward the HACCP certification process based on KPEP guidance.
- KPEP finalized pre-HACCP layout advice for nine companies: Fitimi, Grate Farmere, Vokri, Rizona, Bashkimi, Liria, Fruti, and Hosa Fresh.
- During this quarter, KPEP client Ask Food finalized its HACCP certification process.
- Accredited companies for HACCP certification – MD and Sigma – are implementing the process of HACCP certification for five firms eligible to enter this process. The companies undertaking this procedure are: APS, Besiana, Kooperativa Rogova, Scardus and Agro-Peti. KPEP initially assisted these firms with the HACCP certification process, in amount of €5000 each, with the possibility of additional funding where necessary.

- Two KPEP clients -- APS and HitFlores -- have extended their organic certification for another year. Organic certification is extremely beneficial as these companies strive to reach highly valuable European markets.

### **Forest certification**

KPEP continued to provide extensive assistance to the forest certification process in order to increase the competitiveness of Kosovo's wood products. The Standards Development Group's (SDG) application for accreditation of the Forest Stewardship Council standard for Kosovo is currently under review at the FSC International Centre Policy and Standard unit. Recently, KPEP received assurance FSC International Centre policy manager that the SDG application is under consideration. After receiving FSC comments from the FSC Policy and Standards Unit, KPEP arranged a SDG workshop in order to incorporate these comments and remarks. The result was a final version of the FSC Standard for Kosovo (version 3.1). This final version was approved during the aforementioned meeting and submitted to FSC for approval. Review and potential approval of the Standard will take place during the FSC's upcoming Assembly meeting, which is expected to take place in August 2011.

### **Construction**

KPEP continued working on trade capacity building in the construction sector by assisting producers of construction material to (2) improve product quality and (2) obtain certifications. The Minister of Environment and Spatial Planning has signed the Administrative Instruction for Licensing of Architects and Engineers. KPEP's interventions at the enterprise and industry levels included manufacturer's business observation visits and consulting advice, investment cost sharing grants, researching industry trends and familiarizing government institutions with the main problems facing the construction materials industry. During this quarter, KPEP supported five clients to participate in the 10<sup>th</sup> Annual EXPOKOS Construction Materials, Energy, Technique and Furniture Fair held in Pristina. Participation in EXPOKOS resulted in increased sales and export opportunities in Montenegro, Albania and Macedonia.



## ICT

In the ICT sector, KPEP continued to promote the Kosovo BPO sector as an attractive investment destination to local and international investors by engaging several IT and BPO companies in Kosovo that are interested in investing in this sector. With KPEP's support, two Kosovo firms with strong business ties to Germany are expected to start piloting BPO operations with a German client in September 2011.

KPEP supported ICT Association participation to the prominent international CeBIT ICT fair in Hannover, where three ICT firms -- Rrota, Logistics Plus and PBC -- presented their products. STIKK and three Kosovo firms made 107 new contacts at the fair. Currently, the firms are following up on specific opportunities; STIKK intends to conduct a survey in September 2011 to review results of this trade fair.

- With regard to FDI, KPEP organized meetings between top executives from leading Indian BPO firms such as Wipro, Aegis, AXA Business Services and NASSCOM (India's premier trade body), and the chamber of commerce of IT-BPO industry representatives. KPEP Deputy Chief of Party and an international STTA from Silicon Valley conducted the meetings. Aegis Global continues to collect data about BPO opportunities in Kosovo using KPEP resources. Quattro, another Indian BPO company, is interested in starting operations in Kosovo, pending support via government subsidies to cover the technology cost of implementing its work-from-home model. This model employs agents that work from home rather than a central office.

## Support Dairy Policy Development

With KPEP's support, Kabi Dairy received training on changing the technological process for liquid yogurt by altering the PH value, which contributes to the extended shelf life of the product.

KPEP, in cooperation with the Ministry of Agriculture, Forestry and Rural Development (MAFRD) and Kosovo Dairy Processors Association (KDPA) launched an educational and awareness raising campaign during World Milk Day. The goal of the campaign was to increase

the consumption of locally produced dairy products. According to PBMS data compared to the same period last year, the sales of dairy products have increase by over 1 million Euros.

With respect to poultry, KPEP client Konsoni is setting up a new broiler slaughtering line with a slaughtering capacity of 4000 birds per shift. Another KPEP client, Aves Prom, is finalizing construction of a modern broiler farm with of a capability of 4300 birds per cycle.

## **Wood Processing**

KPEP continued its engagement to explore new product ideas. Close cooperation with five companies resulted in an increase in the production of finished products acceptable for the international market. By increasing the production of new models for the international market, KPEP and the production companies are increasing the competitiveness of local manufacturers in domestic and international markets. Data estimates show that the import of raw materials for this reporting period has increased by 20% in comparison with 2010 figures, which points to a higher demand for local products.

KPEP and STTA William Vernon worked with Tefik Canga Design, Lesna in Design and Ku&Ba to develop a new range of products that are currently in demand Ghana, a new market for Kosovo's wood processing industry.

KPEP supported the Natyra 2011 Wood Products and Furniture Trade Fair held in Pristina; 54 wood processors from Kosovo as well as individuals from five regional countries participated in the fair. According to the estimates by the Association of Wood Processors of Kosovo (AWPK), 1.1 million Euros in revenues will be generated as a result of the fair.

KPEP supported the exhibition of wood and furniture products at the *35 Furniture Fair* in Budva, Montenegro. The fair focuses on household, office and indoor decoration. As a result of their participation in the fair, Elnor, Daqa and Hoti, have exported products valued at 92,000 Euros to Montenegro. Elnor and Daqa's successful partnerships in the region have contributed to a robust product presence in the Montenegro market.

AWPK established a strong relationship with the European Federation of Furniture Manufacturers (UEA) and association of British Furniture Manufacturers (BFM), which resulted in a series of activities. Several visits to local manufacturers were made to assess the situation

of furniture industry in Kosovo; these assessments resulted in AWPk's involvement in the EU-funded project FACTS 3 (implemented by EUA).

## **Tourism**

During this quarter, KPEP continued its work on marketing, promotion, and creating regional linkages for tourism businesses. Because of KPEP's active work in this section, the number of multi-country and cross-border tours increased by 50% compared to Year 2, generated ten times more international tourists hosted by KPEP clients, and three times higher tourism receipts (export).

As part of its effort to improve promotion and marketing, KPEP supported the Kosovo Tourism Association (KOTAS) and the Kosovo Alternative Tourism Association (KATA) to participate in the International Conference and Exhibition for Tourism and Real Estate in Tirana, Albania. As a result of this visit, 928 Albanian tourists enjoyed a stay in Kosovo, generating 61,886 Euros of sales for KPEP clients.

With KPEP support, KATA and the Union of Albanian Tour Operators (UATO) organized a six-day cross-border FAM Trip for 22 Polish tour operators. As a result, the Polish Tourism Chamber invited both associations to participate in the TT Warsaw Tour and Travel Show, where Kosovo and Albania will be introduced as new tourist destinations. This show will take place in Q4.

## **Fruits and Vegetables**

During this quarter, KPEP continued cross - sector assistance to fruit and vegetable producers. An agriculture Specialist, BEE and BSS worked jointly with farmers associations on their transformation into farmers' cooperatives. As opposed to an association, a cooperative has an opportunity to enter into sales and generate income, activities until now had to be carried out outside of the association. The farmers' association Perdrini has already been transformed into a cooperative. The Adas Bio association is in the process of changing its organizational structure from an association into a cooperative.

With KPEP support, more than € 1 million has been invested in a mushroom facility to initiate Eriingy mushroom variety production in October 2011 in Klina. Kosovo will export mushrooms to Europe, eventually replacing imports of this variety from China.

KPEP continues its assistance on preparations for a compost production facility in Klina. The aim of this support is to facilitate production and promote mushroom compost production for the Shiitake mushroom variety. The production will be exported to Europe. KPEP plans to engage a regional STTA who can offer advice on mushroom compost production. As a result of the production of mushrooms and compost, at least 60 new employees will begin permanent work at the facility by October 2011. Around 100 farmers will benefit from mushroom cultivation after they receive compost from King mushroom. These farmers will cultivate 8-12 tons of mushrooms per month.

With KPEP support, the Elkos group and the Perdrini association have agreed on a vegetables plantation plan. Vegetables from these plantations will be delivered to the Elkos owned Kosovo Central Pack House in Xerxe (which will be operational by July 2012) and to Elkos hypermarket chains. Elkos and the Perdrini association have already confirmed delivery supply of 4800 Mt of vegetables.

Edona/Hosa Fresh completed of the first phase of investment in a vegetable collection-processing facility in amount of €105,000. This company will initially employ 15 workers, increasing this employment to 70 in the second phase of investment, which is planned for end of 2011.

KPEP awarded, delivered and installed a pasteurizer that improves vegetable processing capacities to Ask Foods' vegetable processing line in Gjilan/Gnjilane; this imoroved processing capacity will have a significant impact on exports, particularly processed peppers. Ask Foods has already confirmed its interest in 1500Mt of peppers for processing, which will be supplied by Perdrini.

In an effort to create linkages between Kosovo producers and the international market, KPEP has succeeded in connecting the German-based Kelmendi GmbH with Kosovo vegetable producers and processors. Kelmendi GmbH will be importing 4000Mt of vegetables to

Germany. KPEP also facilitated the delivery of 200Mt of watermelon export to the Shalamultimarche fruit and vegetable trading company in Geneva, Switzerland.

KPEP worked with three client companies interested in attending the Fancy Food Show in Washington D.C., which will be completed in Q4. Product samples of Ask Foods and BIO Pak were delivered to Rugova Trading, a U.S. based food distributor with a contract award for Kosovo products.

KPEP will continue to support trade capacity building and facilitation throughout the life of the Project. The assistance will comprise all issues that are specific to KPEP clients and will expand based on demand. Furthermore, KPEP will (1) maintain a strong cooperation with other donor projects and the GoK, (2) establish new cooperation with other projects and relevant institutions in order to develop a comprehensive and unified approach toward trade related issues.

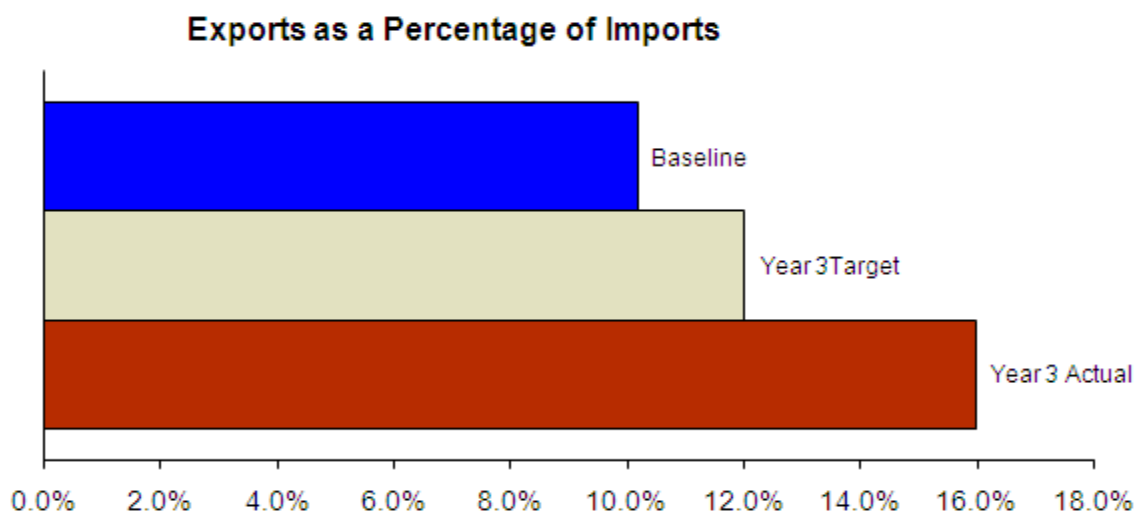
## Annex 1. Report on Indicators

### IR.1.3 (1) Accelerated Growth of Private Sector

#### Indicator: Exports as a Percentage of Imports – Kosovo Wide

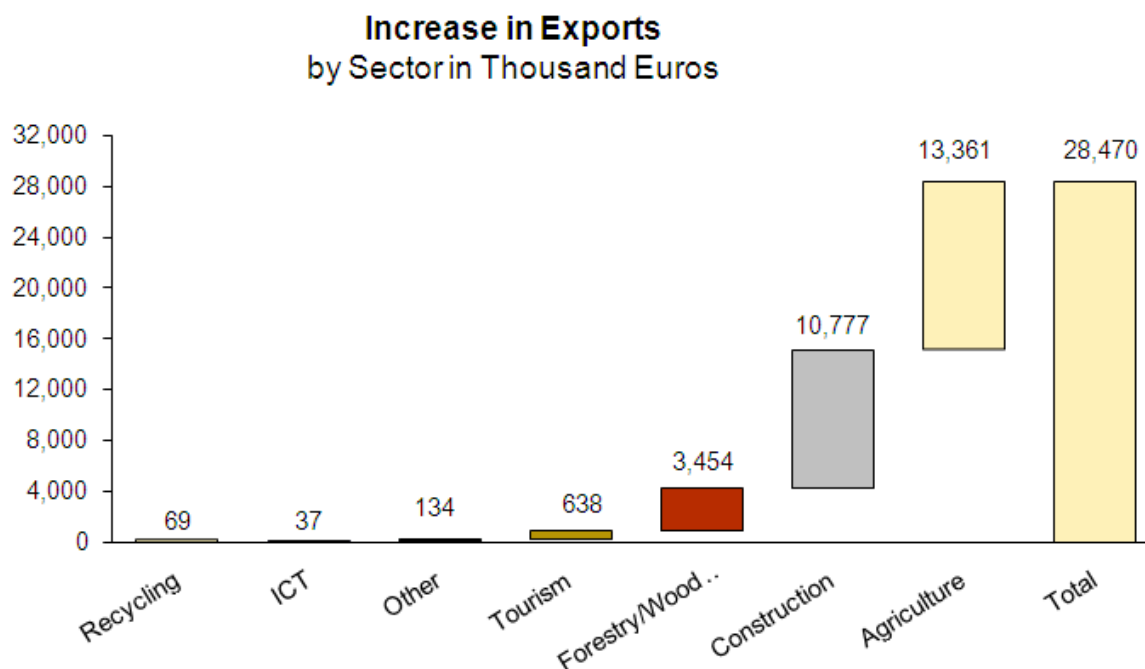
*Definition of the indicator:* The total value of exports divided by the total value of imports, by sector.

*Data Source:* Data is received from the Statistical Office of Kosovo (SOK).



*Annual Results:* The total value of exports divided by the total value of imports. This report contains data from October 2010 to March 2011, the most recent available data. The value of exports for this period was €155.08 million, while imports were €1,064.02 million, which represents a 14.57 percent exports/imports coverage. During CY 2010 Kosovo exported goods valued at €294.03 million Euros, and imported €2,139.53 million Euros, which provides for annual exports/imports coverage of 13.74%.

The data collected from KPEP client enterprises indicate that exports to date were €30,268,161 while imports were €54,860,541. This provides for a coverage ratio of 55.2%. Compared to the baseline exports data of KPEP clients, there was an increase of €28.5 million for the LOP. The graph below shows the increase in exports by KPEP targeted sectors.

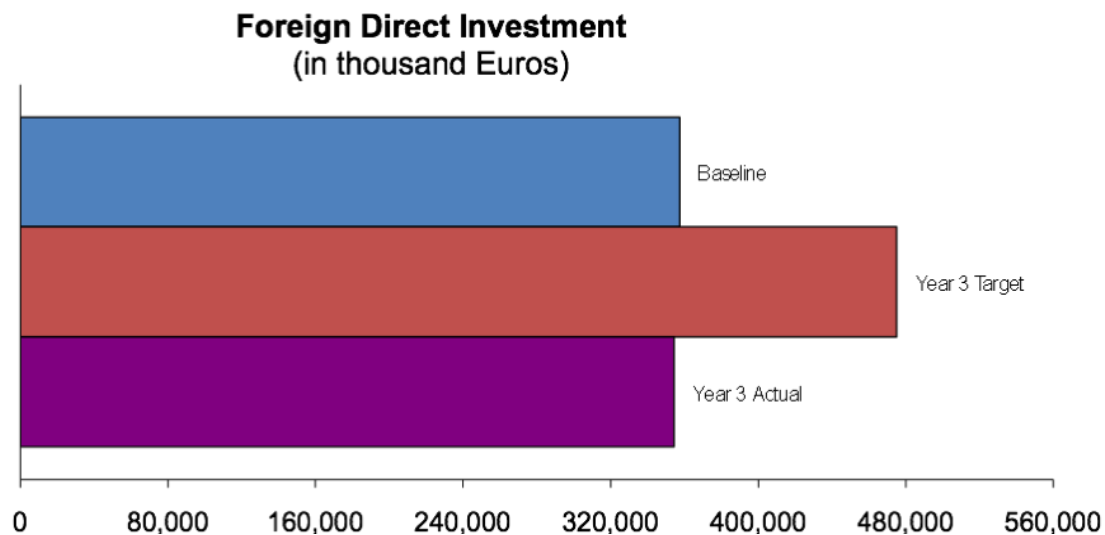


### IR.1.3 (2) Accelerated Growth of Private Sector

**Indicator:** Foreign Direct Investment – Kosovo Wide

*Definition of the indicator:* Value of foreign private investment. Enterprise investment is defined as spending related to operational capital, technology, land, and infrastructure.

*Data Source:* Baseline data was received from Central Bank of the Republic of Kosovo.



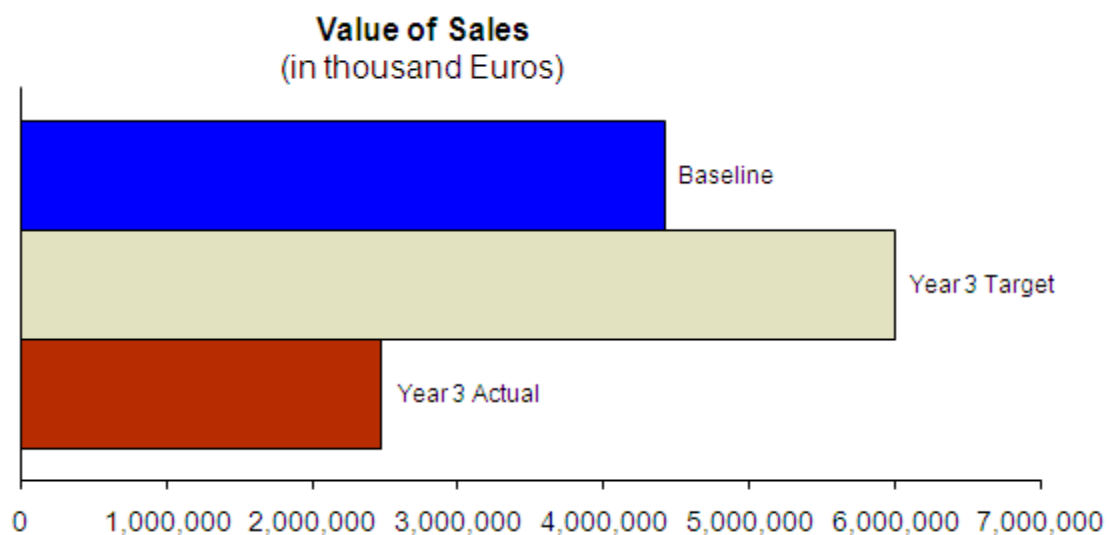
*Annual Results:* This indicator is reported annually.

### IR.1.3 (3) Accelerated Growth of Private Sector

**Indicator:** Value of sales, by sector – Kosovo Wide

*Definition of the indicator:* Value of goods and services sold during the year measured as gross business sales.

*Data Source:* The data for this indicator has been collected from the Tax Administration of Kosovo.





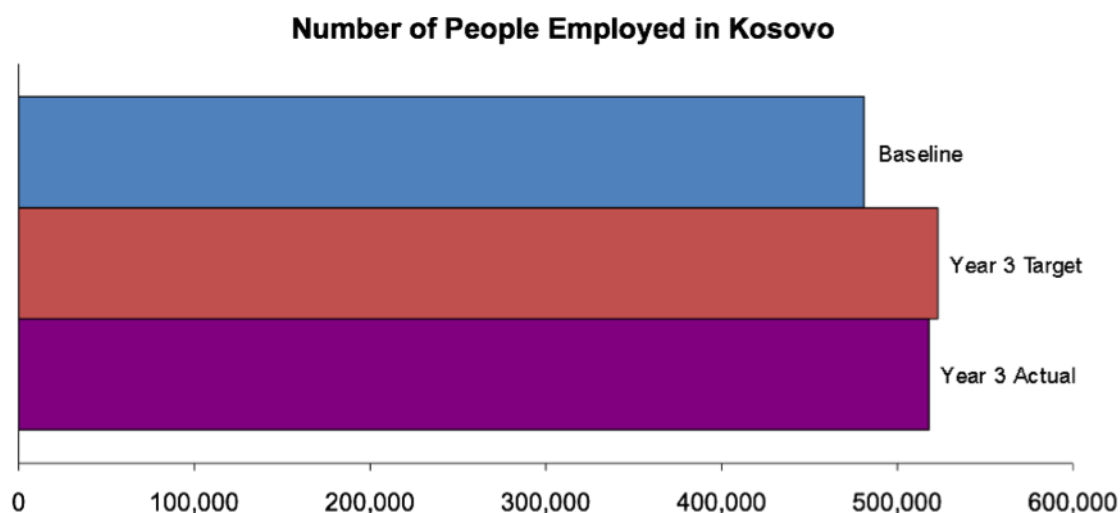
*Annual Results.* The baseline includes the data for the period January-December 2008. KPEP has collected the data for the period October 2010-June 2011. The cumulative data for this period is at €1,664.8 million. This figure represents the sales of all enterprises in Kosovo. Tax Administration of Kosovo categorizes enterprises in Kosovo into different categories: by size, in small and large enterprises, and by legal status, in individual businesses, partnerships and corporations.

### IR.1.3 (4) Accelerated Growth of Private Sector

**Indicator:** Number of people employed, by sector – Kosovo Wide

*Definition of the indicator:* Number of people employed, disaggregated by sector.

*Data Source:* The baseline data for this indicator was collected from the Macroeconomic Department of MEF. The quarterly data is collected from the Department for Labor and Employment (DLE) of Ministry of Labor and Social Welfare (MLSW).



*Annual Results.* This indicator is reported annually.

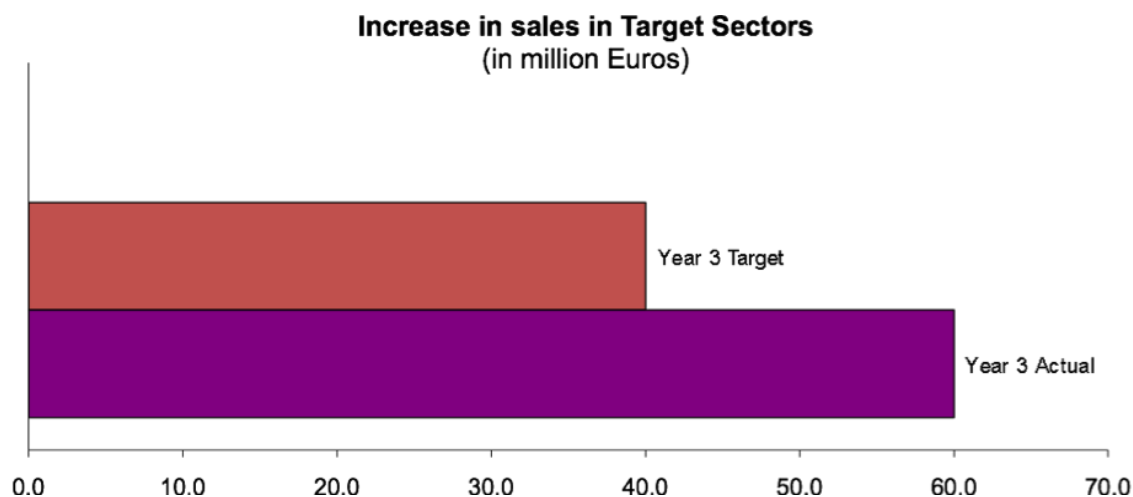
### IR.1.3.1 (1) Increased Competitiveness of Key Sectors

**Indicator:** Increase in Sales in Target Sectors

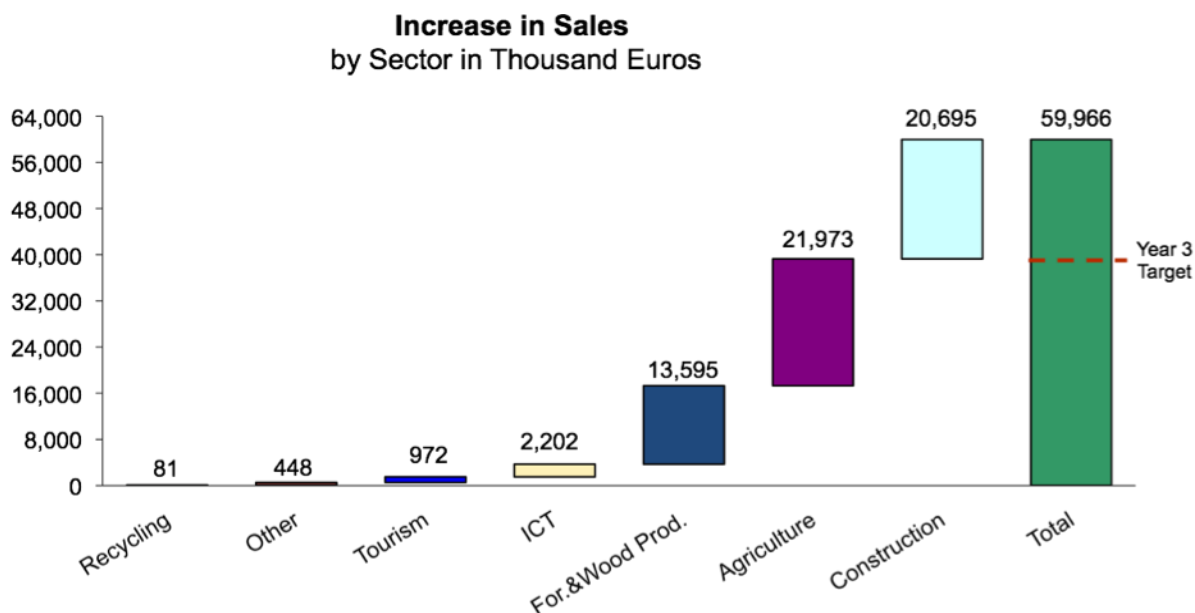
*Definition of the indicator:* Value of goods and services sold during the year is measured as gross business sales. It is an aggregate of all business sales related to the sector over a given

period. This is measured for enterprises that receive KPEP support directly, through SAF or from specific transactions supported by KPEP.

*Data Source:* Data received from sector specialists.



*Annual Results.* The annualized baseline value of sales is €143,534,711, which represents the baseline sales data for 116 companies. The cumulative target for Q3 of the Year 3 is an increase of sales of €35,000,000. Cumulative increase to date is €59,965,976, which means that KPEP has already exceeded not just the Year 3 target, but also the LOP target of €50,000,000. The main contributors to the LOP increase are construction, agriculture, and forestry and wood processing sectors, as it is shown in the graph below:

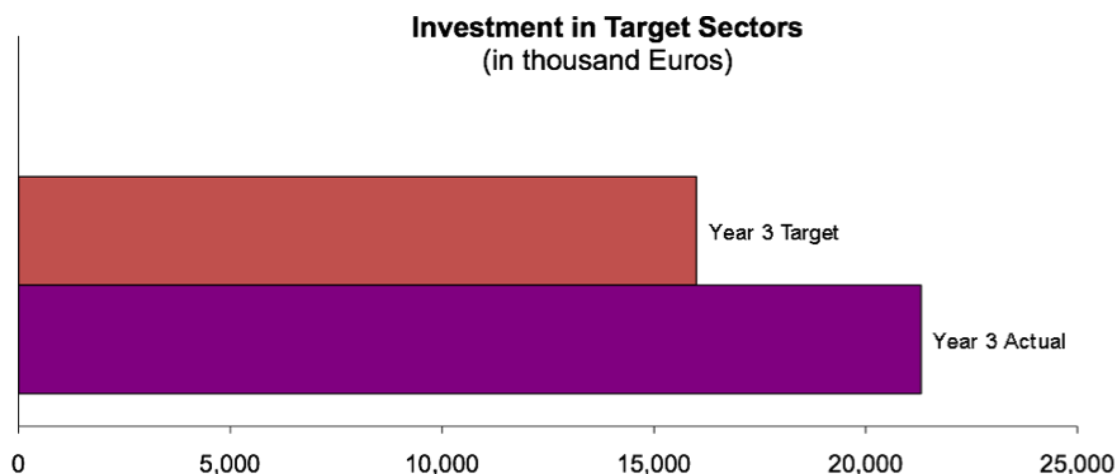


#### IR.1.3.1 (2) Increased Competitiveness of Key Sectors

**Indicator:** Increase in investments in target sectors

*Definition of the indicator:* Value of capital investments disaggregated by target enterprise, micro enterprise and by sector.

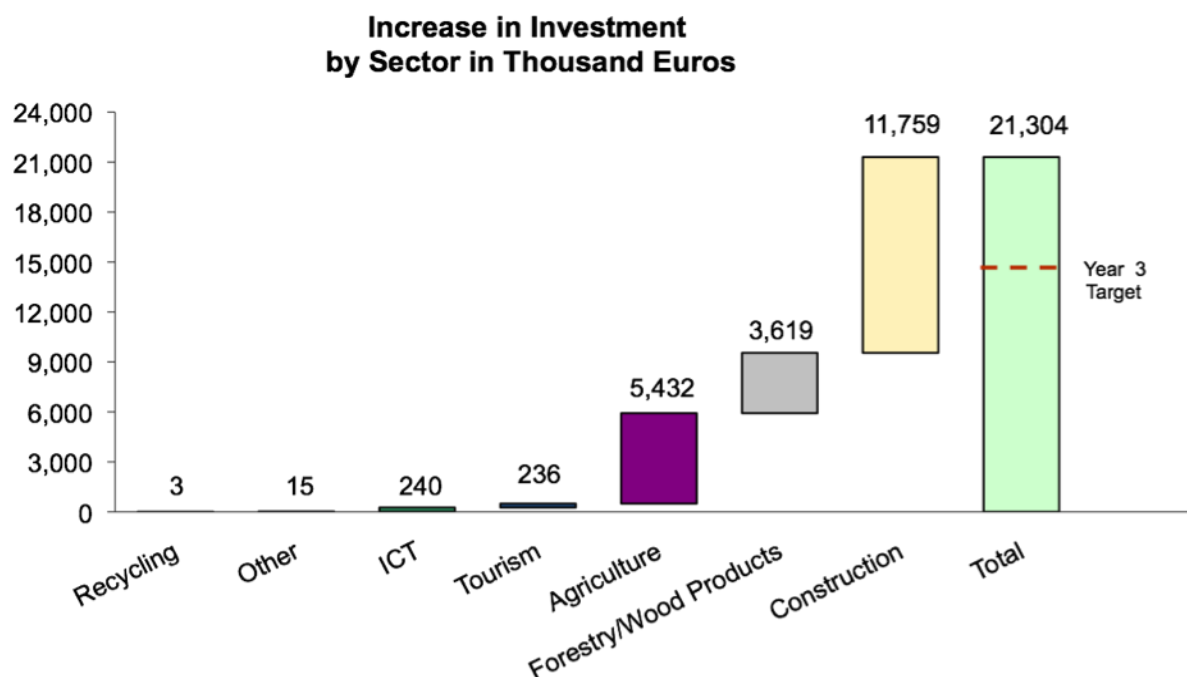
*Data Source:* Data received from sector specialists.



*Annual Results.* The cumulative value of investments to date is €21,304,066. Since the baseline figure was set at zero, the total value of investments in fact represents the total increase in investments. The cumulative target for Year 3 is an increase in investments of

€16,000,000, the target that is already exceeded. In fact, during this quarter KPEP exceeded the LOP target for investment which was set at 20 million euros increase.

The main contributor to the LOP increase is still the construction sector, followed by forestry and wood processing and agriculture sector.



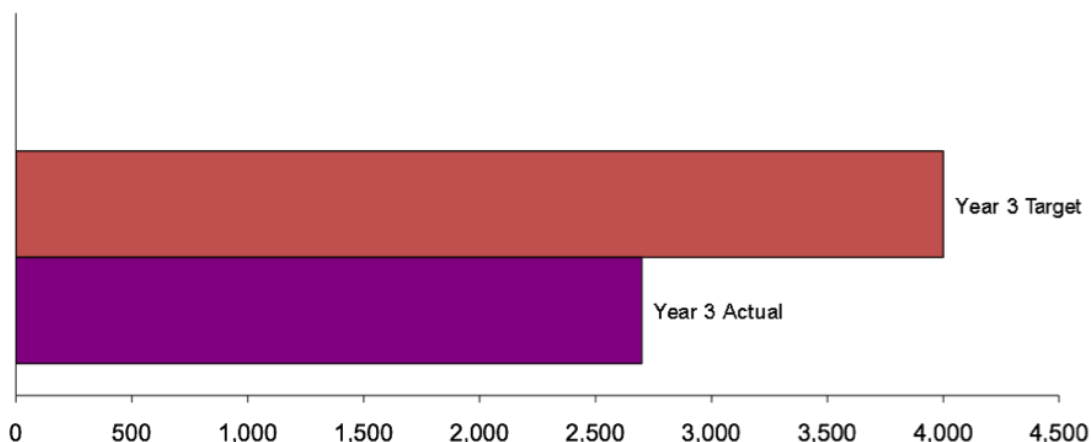
### IR.1.3.1 (3) Increased Competitiveness of Key Sectors

**Indicator:** Increase in jobs created in target sectors

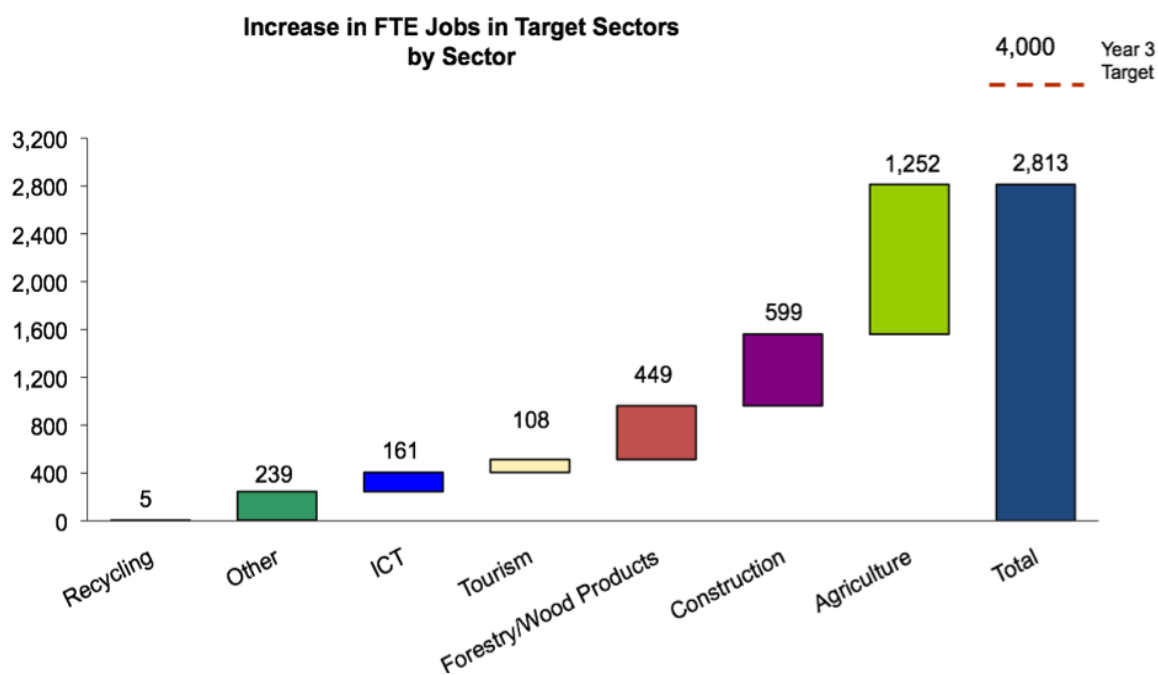
*Definition of the indicator:* Number of jobs created, disaggregated by target enterprise micro enterprises, and by sector, in terms of full-time equivalent jobs in target enterprises. Person days of employment (part-time employment) are converted to annual full-time equivalent -FTE jobs using 225 days of labor per year.

*Data Source:* Data received from sector specialists.

### Increase in FTE Jobs in Target Sectors



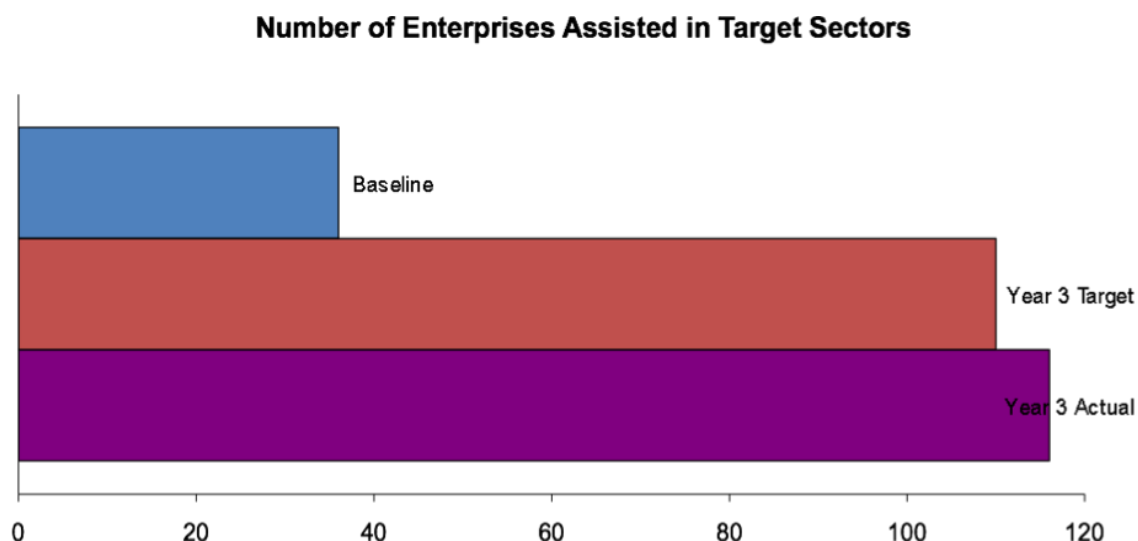
*Annual Results.* The cumulative target for the Q3 of the Year 3 is an increase of FTE jobs by 3,500. The cumulative increase of FTE jobs at KPEP client enterprises to date in Component One is 2,813 FTE jobs, which is below the Year 3 target. While KPEP is below its job creation target, the project has been able double the increase in full time jobs comparing to the baseline. The multiplier effect for the total increase in employment for the LOP is 4,262 FTE jobs, although when calculating multipliers were not included all sectors. Below is the structure of the LOP increase in FTE jobs by sector. The main contributors to this increase are the agriculture and construction sectors, while the wood products sector is steadily increasing its share of the overall FTE jobs increase.



**IR.1.3.1 (4) Increased Competitiveness of Key Sectors****Indicator: Number of enterprises assisted in target sectors**

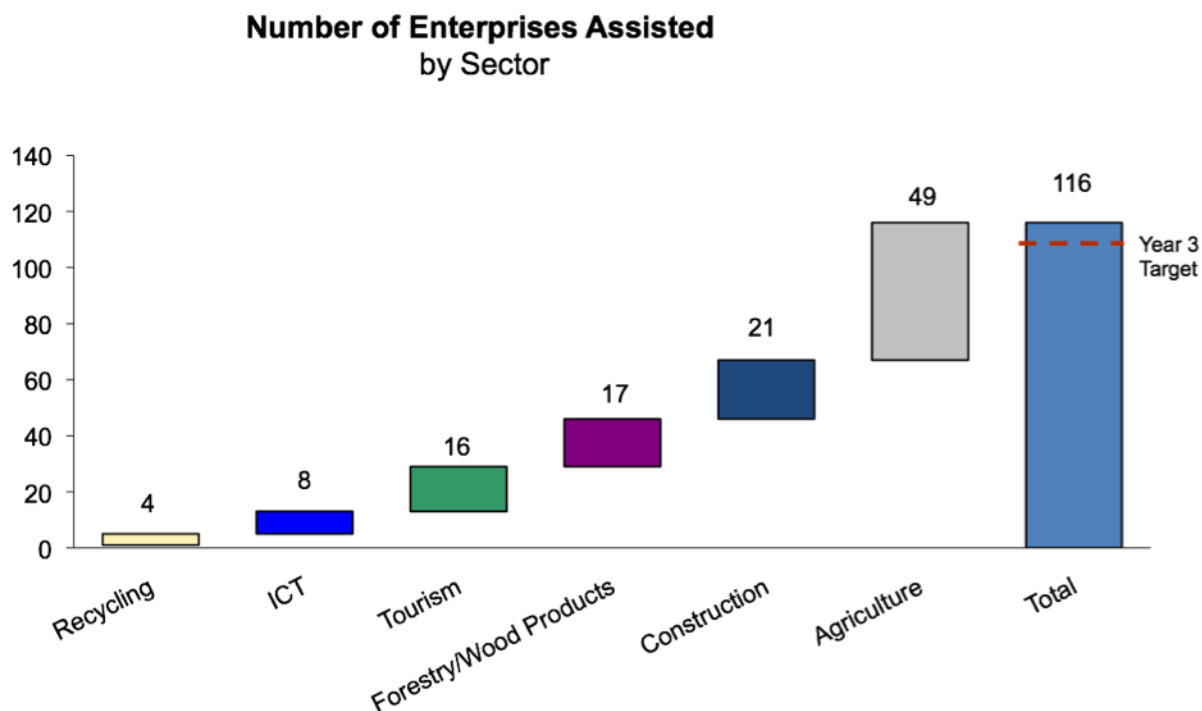
*Definition of the indicator:* Number of enterprises assisted directly by the project, disaggregated by micro enterprise.

*Data Source:* Data is received from sector specialists.



*Annual Results.* To date, there are 116 direct KPEP enterprises. These companies have signed agreements of cooperation with KPEP and receive continuous support from KPEP. In return, these companies provide KPEP with their quarterly data on their key performance indicators. The cumulative target number for Year 3 is set to 110 enterprises. During this quarter alone, there was increase of this number by more than 50%. These companies have been added to the PBMS system. Most of these companies received support from the SAF component during the year three of the project. However, the reach of KPEP in the private sector is much wider than this. KPEP's activities reach more than 660 companies, reported under another Performance Indicator.

Below is provided the structure of direct KPEP client enterprises by sector.

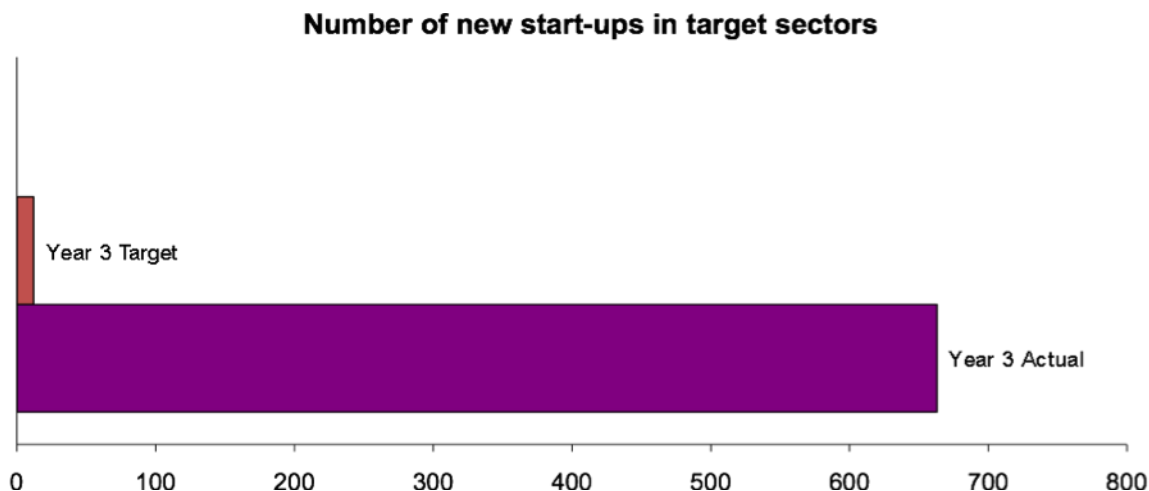


#### IR.1.3.1 (5) Increased Competitiveness of Key Sectors

**Indicator:** Number of new start-ups in target sectors, Kosovo wide

*Definition of the indicator:* Number of new start-ups, disaggregated by micro enterprise and sector.

*Data Source:* Data is received from the Agency for Business Registry (ABRK) of the Ministry for Trade and Industry (MTI).



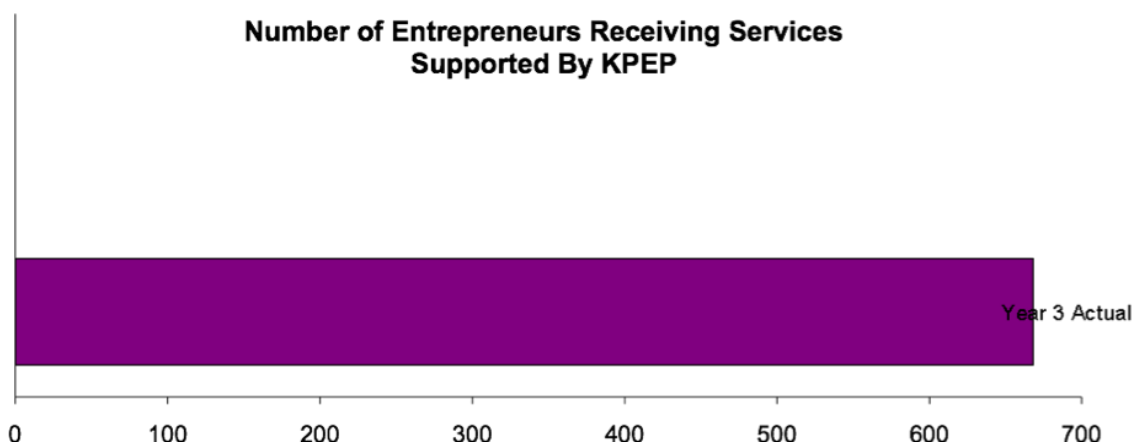
*Annual Results.* This indicator is reported annually.

### **IR.1.3.1 (6) Increased Competitiveness of Key Sectors**

**Indicator:** Number of entrepreneurs receiving services supported by USAID

*Definition of the indicator:* Number of entrepreneurs receiving services directly by KPEP or indirectly through associations supported by USAID

*Data Source:* Data received from sector specialists.



*Annual Results.* Any service provided, other than training (which is reported under Indicator 1 on workforce development component) is included and reported under this indicator. The list of services provided, among others, includes: study tours, HACCP assessment survey, trade and business linkages, etc. To this list are added also enterprises, which are not direct KPEP clients but that received KPEP support through grants and sub-contracts. To date, the total number of 668 entrepreneurs received services supported by KPEP. 104 new entrepreneurs were added during this quarter, most of them in wood processing and tourism sector.

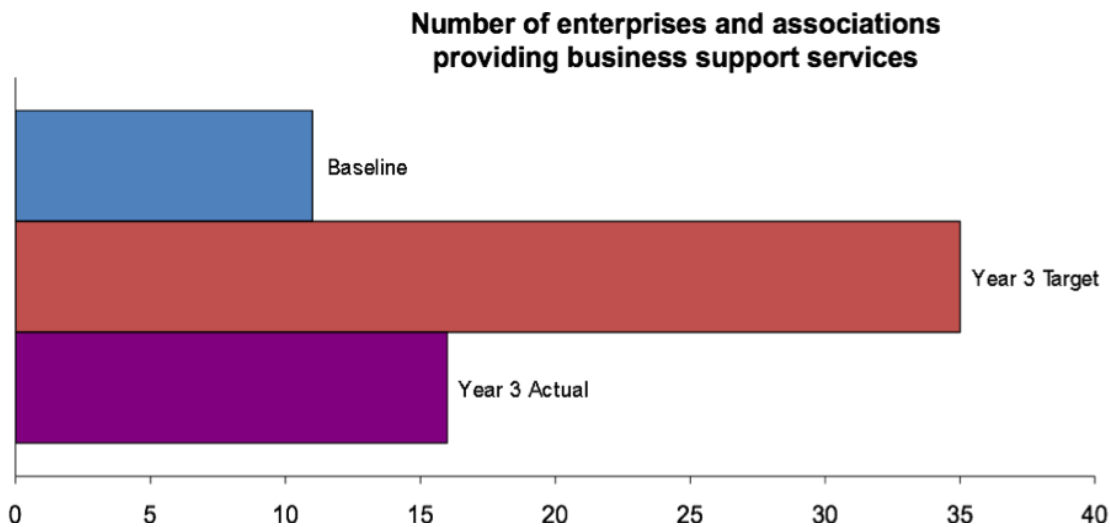
### **IR.1.3.2 (1) Improved and Demand Driven Business Support Services**

**Indicator:** Number of enterprises and associations providing business support services

*Definition of the indicator:* Number of enterprises and associations providing business support services that are assisted by KPEP.

*Data Source:* Data received from sector specialists and BSS team.



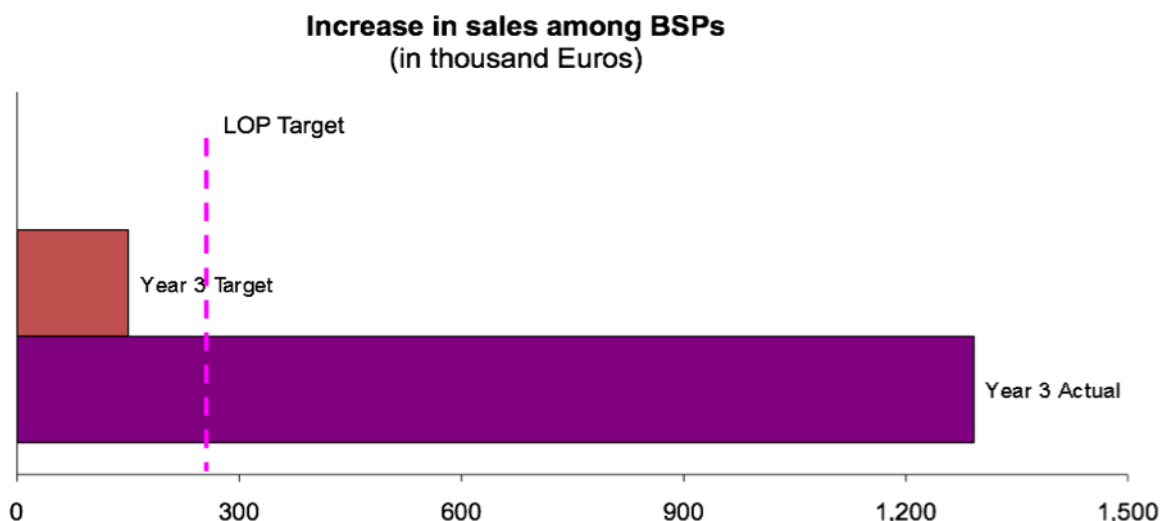


*Annual Results.* A total of 16 BSPs are included on the list of KPEP assisted BSPs. No new companies were added during the last quarter, due to the fact that the activities in component two were diverted from work with business consultants and other service providers, to associations.

**IR.1.3.2 (2) Improved and Demand Driven Business Support Services****Indicator: Increase of sales among BSPs**

*Definition of the indicator:* Value of sales among targeted BSPs, supported by KPEP and disaggregated by export sales.

*Data Source:* Data received from sector specialists and BSS team.

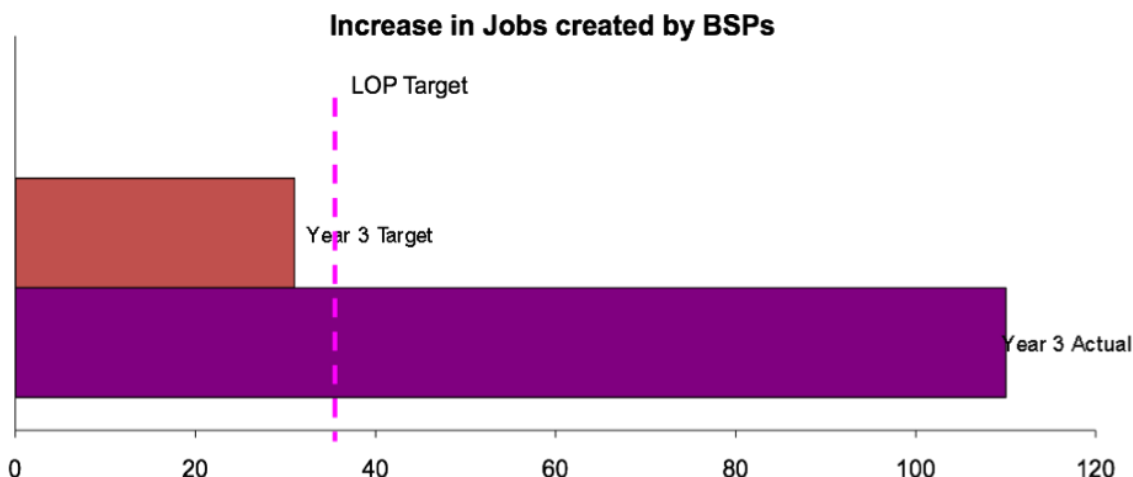


*Annual Results.* The target cumulative increase in sales for Year 3 is €150,000 over the baseline. The cumulative increase in sales to date is €1,292,060, which by far exceeds LOP target increase in sales of €200,000. During the last quarter, there was an increase in sales comparing to the baseline data of €152,982.

**IR.1.3.2 (3) Improved and Demand Driven Business Support Services****Indicator: Increase in jobs created amongst USAID supported BSPs**

*Definition of the indicator:* Number of jobs created, amongst target business service providers, in terms of full-time equivalent jobs. Person days of employment (part-time employment) are converted to annual full-time equivalent - FTE jobs using 225 days of labor per year.

*Data Source:* Data received from sector specialists and BSS team.



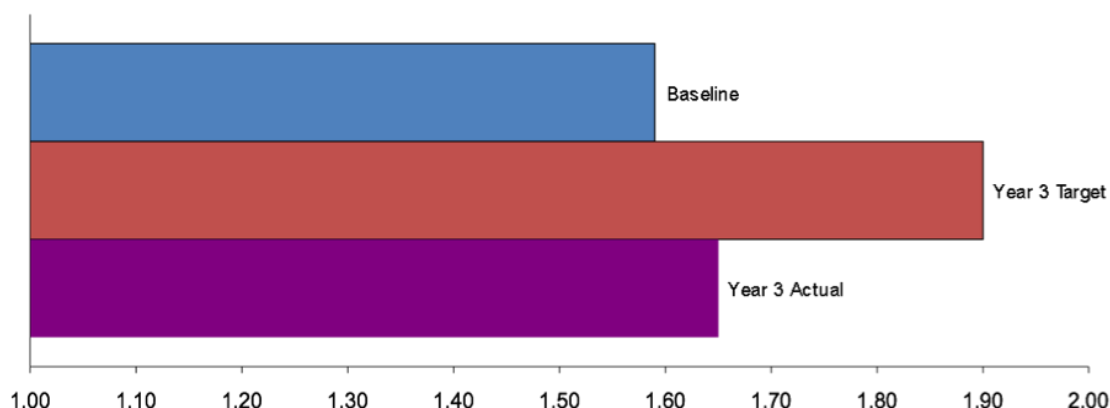
*Annual Results.* The target cumulative increase in FTE jobs over baseline for the Q3 of the Year 3 is 28. The cumulative increase in FTE jobs to date is 110, which already exceeds LOP target increase of 36 FTE jobs.

#### **IR.1.3.2 (4) Improved and Demand Driven Business Support Services**

##### **Indicator: Progress on the Association Development Index**

*Definition of the indicator:* Progress made by associations on eight elements of the Association Development Index for associations targeted by KPEP. The “Association Development Index as Applied to Selected Associations in Kosovo” assessment was conducted for associations of various businesses in the Republic of Kosovo. Sixteen business associations were chosen for this purpose. The data was collected using an evaluation tool/questionnaire, i.e. the Association Development Index, provided by USAID KPEP. The Index identified eight elements key to effective association management and was supplemented with questions to enhance understanding of each element. Evaluations of the individual associations were used to create the overall recommended baseline. That baseline was developed using statistical averages of mean, median and mode. The recommended baseline is 1.59, which is the median score. The idea is to conduct this type of assessment each year to monitor the progress of associations.

*Data Source:* Annual survey was conducted during September 2009.

**Progress on the Association Development Index**

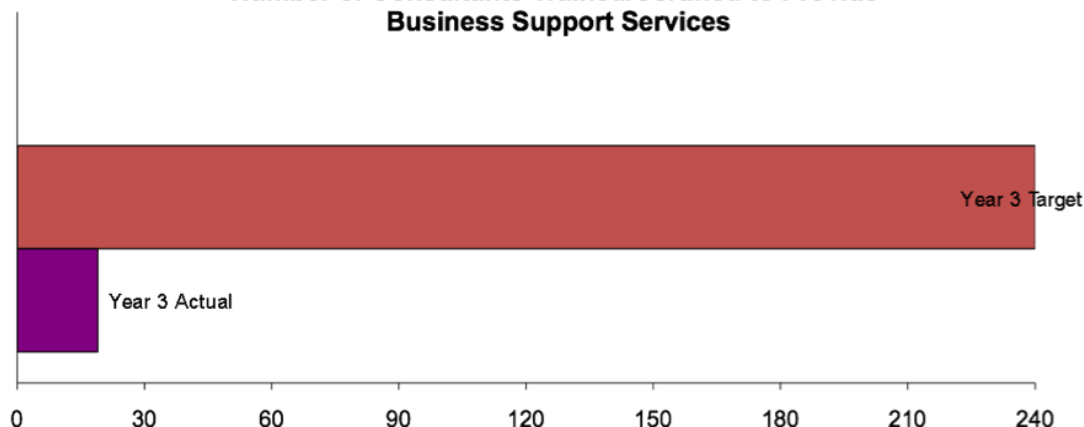
*Annual Results.* No changes to report during this quarter. The graph shows the current score of the progress on ADI, which is at 1.65 median score as of September 30, 2009. This indicator is reported only on annual basis. The ADI survey for 2011 is currently going on and the results will be reported in the next quarter.

**IR.1.3.2 (5) Improved and Demand Driven Business Support Services**

**Indicator:** Number of consultants trained/certified to provide business support services

*Definition of the indicator:* Number of consultants trained/ certified to provide business support services, trained by KPEP or a target BSP, supported by USAID.

*Data Source:* Data received from sector specialists and BSS team.

**Number of Consultants Trained/Certified to Provide Business Support Services**

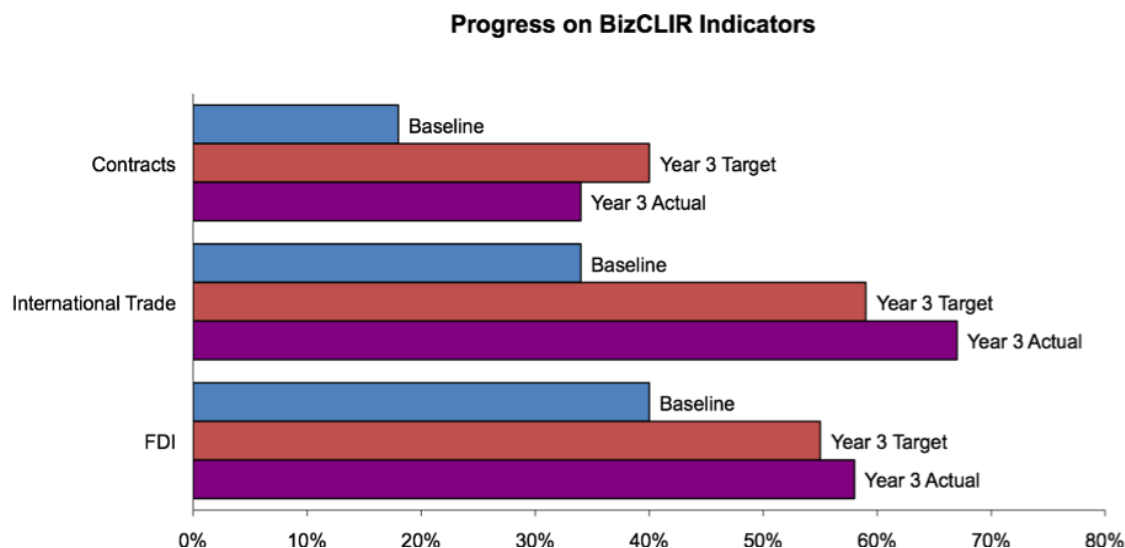
*Annual Results.* The cumulative target for the number of consultants trained or certified to provide business support services for Year 3 is 240. No changes were reported during this quarter, since USAID asked KPEP to deemphasize the work with consulting firms. The actual result presented in the chart is the same as in the previous report. During the first year, 19 consultants were certified in the “Kosovo Premier Advisor” training course. No changes are anticipated before the end of the project.

### IR.1.3.3 (1) Improved Business Operating Conditions

#### Indicator: Progress on the Business Environment Index (BizClir)

*Definition of the Indicator:* The mechanism for monitoring the BEE is the set of Commercial Legal Institutional Reform Assessment Indicator scores compiled for USAID in 2004 and updated in 2006. A 2009 update conducted by KPEP established a baseline, and subsequent updates will chart the progress of indicators and subcategories relevant to KPEP activities each year.

*Data Source:* Annual survey has been conducted on January 2010 to update BizClir Index for 2009.

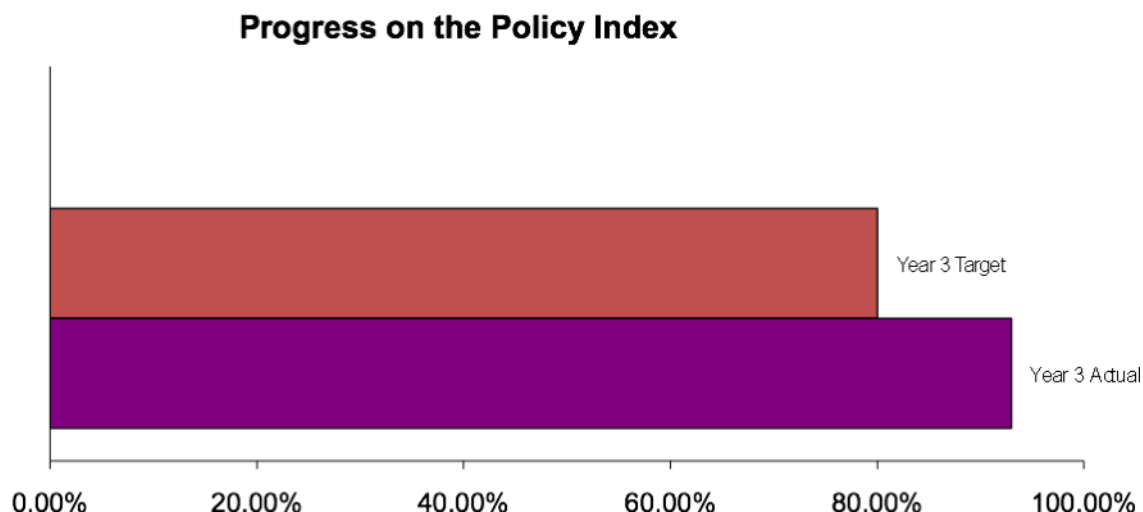


*Annual Results.* KPEP will not conduct any survey regarding this indicator. New USAID project (BEEP) will follow on this task.

**IR.1.3.3 (2) Improved Business Operating Conditions****Indicator: Progress on the policy index**

*Definition of the Indicator:* The number of policies that have met or exceeded established targets on the policy index using percentage of completion.

*Data Source:* Data received from BEE team.

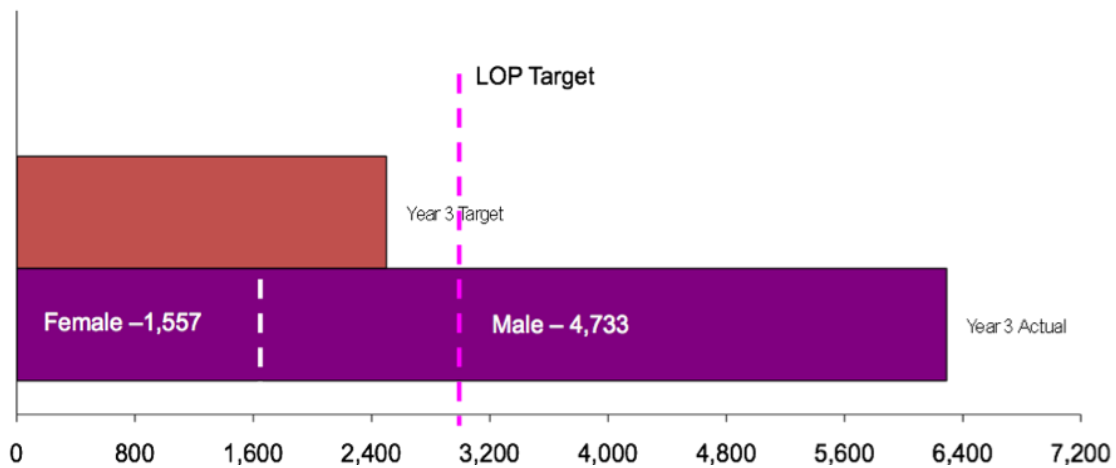


Annual Results. The results on the graph represent the status from the previous quarter. During this quarter, the BEE specialist was focused on the work related to the construction law. The Ministry of Environment and Spatial Planning have developed a new Draft Law on Construction. KPEP reviewed the draft law and provided comments and suggestions to USAID for further proceedings.

**IR.1.3.4 (1) Improved Capacity of the Workforce to Engage in Employment****Opportunities****Indicator: The number of individuals trained through USAID sponsored training**

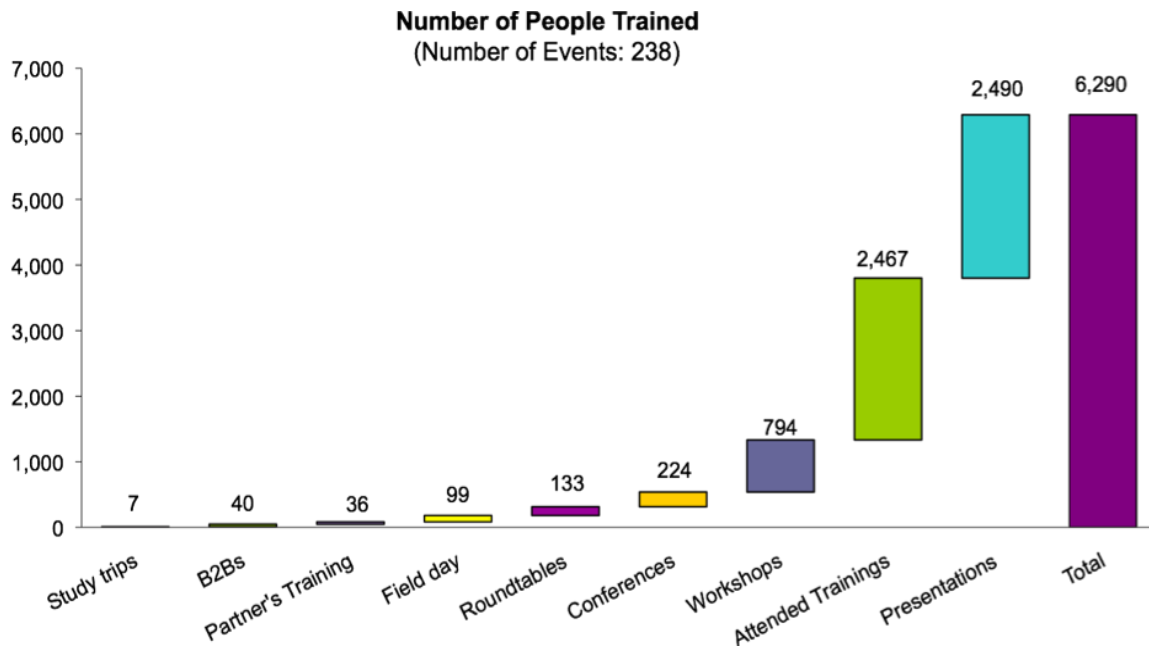
*Definition of the indicator:* The number of individuals trained, disaggregated by gender, age, ethnicity, sector, type of training etc.

*Data Source:* Data received from sector specialists and WFD team.

**Number of People Trained**

*Annual Results.* To date, the number of people trained is 6,290, thus exceeding the LOP target of 3,000 people trained. Out of the total number of people trained during the LOP, 4,733 were male and 1,557 female; 266 were the people from minority areas; and 1,768 were under 25 years of age.

Below is the chart that presents number of training events, and number of people trained by training category for the LOP.



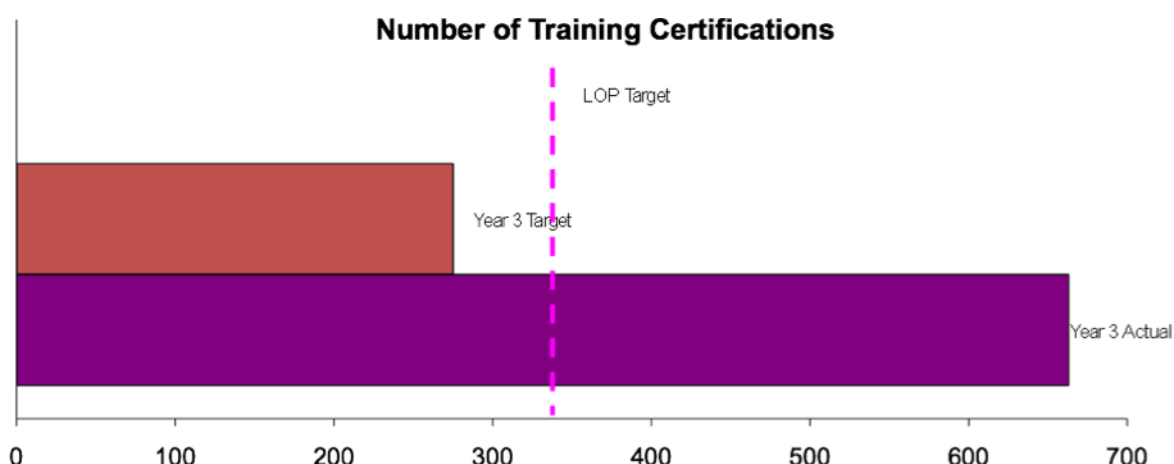


#### IR.1.3.4 (2) Improved Capacity of the Workforce to Engage in Employment Opportunities

**Indicator:** Number of training certifications

*Definition of the indicator:* Number of training certifications earned by participants for completing the training.

*Data Source:* Data received from sector specialists and WFD team.



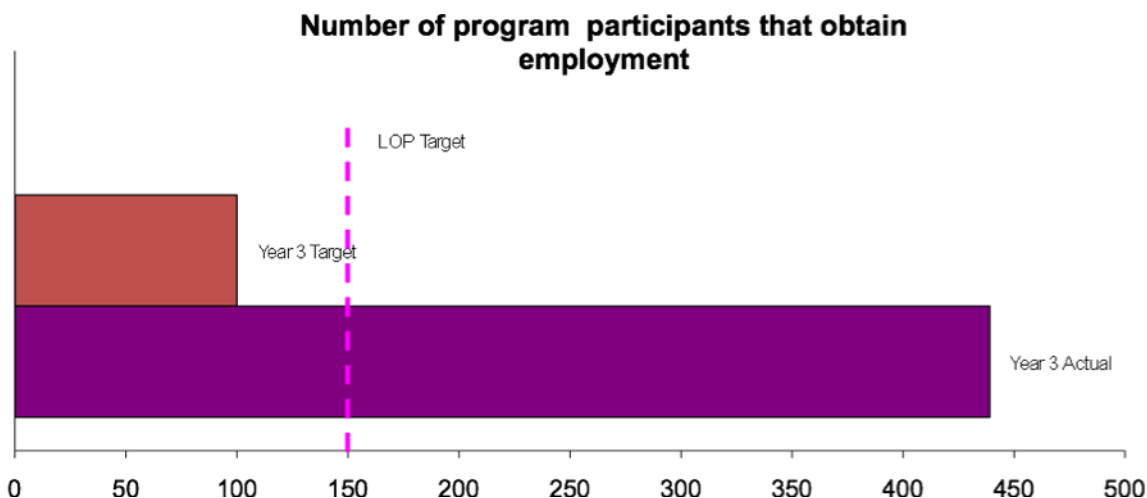
*Annual Results.* To date, the number of training certifications earned by participants for completing the training is 663. The PBMS data was consolidated with data from WfD. During this quarter alone, there were 371 training certifications for completion issued to the people that participated in USAID supported training activities.

#### IR.1.3.4 (3) Improved Capacity of the Workforce to Engage in Employment Opportunities

**Indicator:** Number of program participants that obtain employment

*Definition of the indicator:* Number of program participants that obtain employment, disaggregated by gender, ethnicity.

*Data Source:* Data received from sector specialists and WFD team.



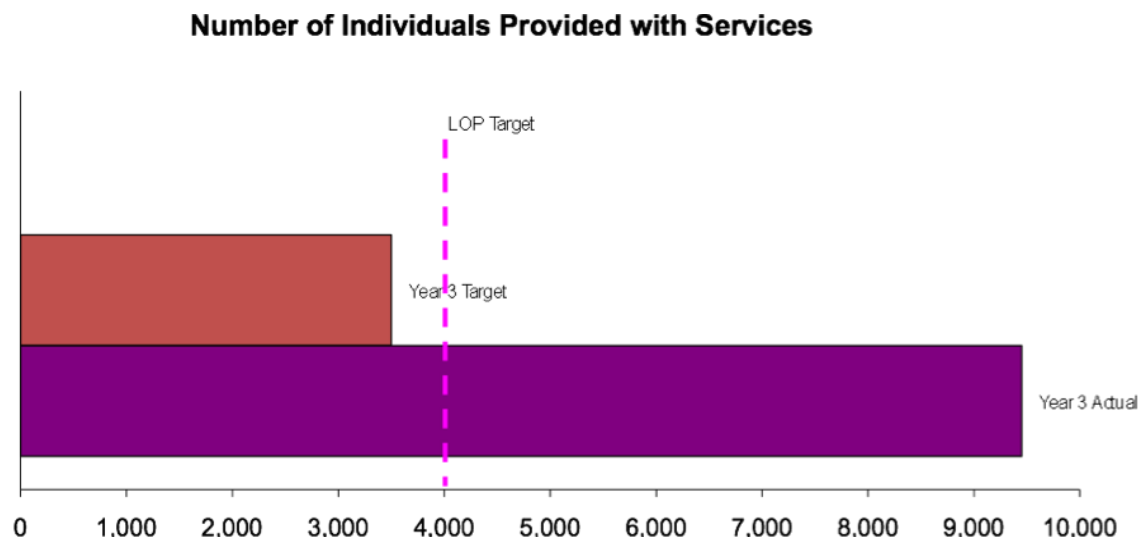
*Annual Results.* To date, in total 439 people obtained employment with support of KPEP program. During this quarter, 63 people obtained employment.

#### **IR.1.3.4 (4) Improved Capacity of the Workforce to Engage in Employment Opportunities**

**Indicator:** Number of individuals provided with services

*Definition of the Indicator:* Number of individuals provided with services, disaggregated by type of service: counseling, referrals, placement, gender and ethnicity. It excludes the number of people trained, since it is reported under Indicator of IR.1.3.4 (1).

*Data Source:* Data received from sector specialists and WFD team.



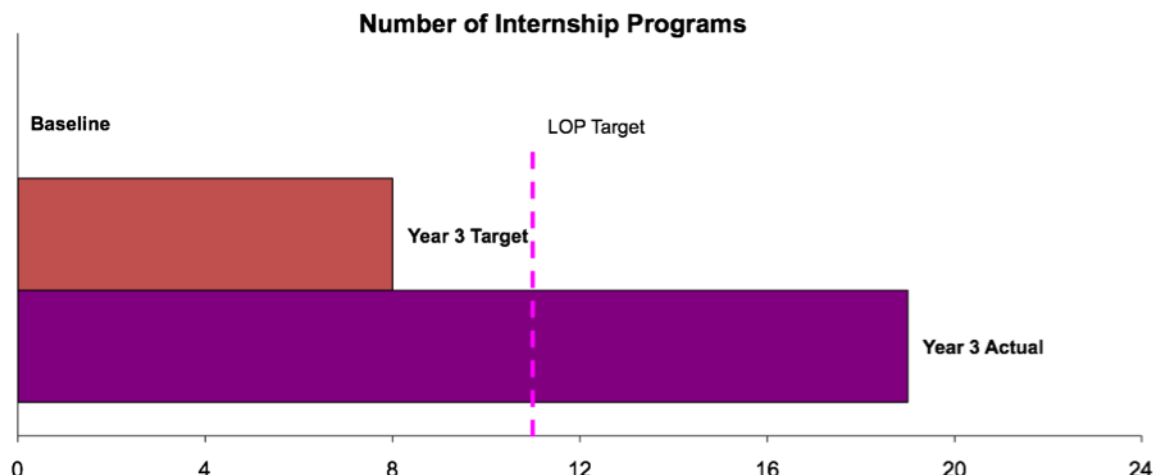
*Annual Results.* To date, the number of individuals that received services is 9,449. This number includes (mainly) individuals that participated in trade fairs supported by USAID. During this quarter, 371 new individuals received USAID support.

#### **IR.1.3.4 (5) Improved Capacity of the Workforce to Engage in Employment Opportunities**

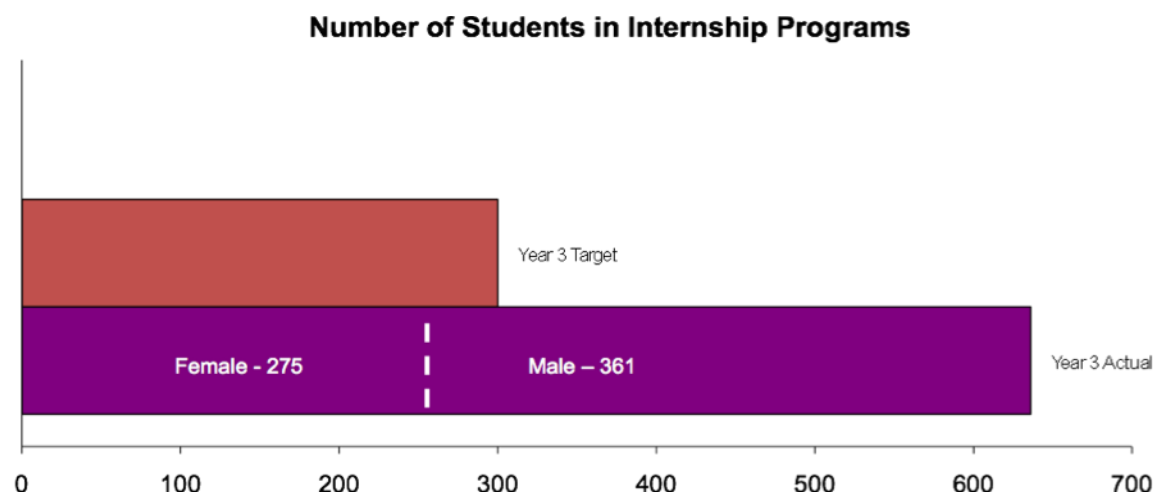
**Indicator:** Number of Internship programs

*Definition of the Indicator:* Internships include any sort of embedded training or on the job training.

*Data Source:* Data received from sector specialists and WFD team.



*Annual Results.* To date, KPEP organized 19 different activities related to internships. Some of the internship programs included: Dairy Internship, Kosovo Business Case Challenge, Job Fair and Marketing VET in Peja, Business and Economics Interns Presentation skills, Academic writing and career development training, Accounting and Financial Analysis, Wood Industry Internship, Kosovo Business Case Challenge 2010, Amcham Job Fair, and Tourism Job Fair. There were in total 636 interns (275 male and 361 female). During this quarter alone, there were 300 new interns as part of the Accounting and Financial Analysis internship program.

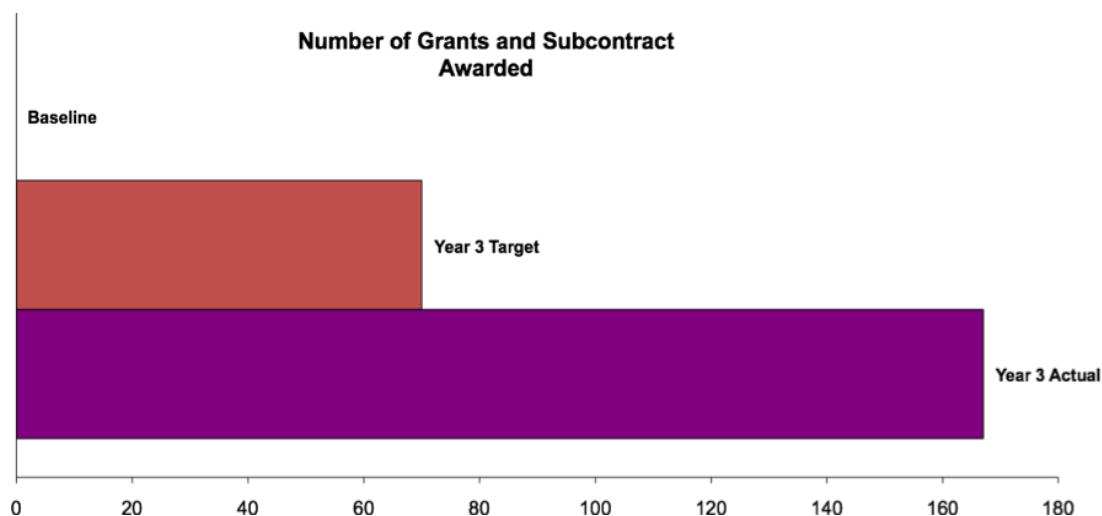


## Strategic Activities Fund

### Indicator: Number of grants/sub-contracts

*Definition of the Indicator:* Number of grants and sub-contracts awarded.

*Data Source:* Data received from SAF specialist.

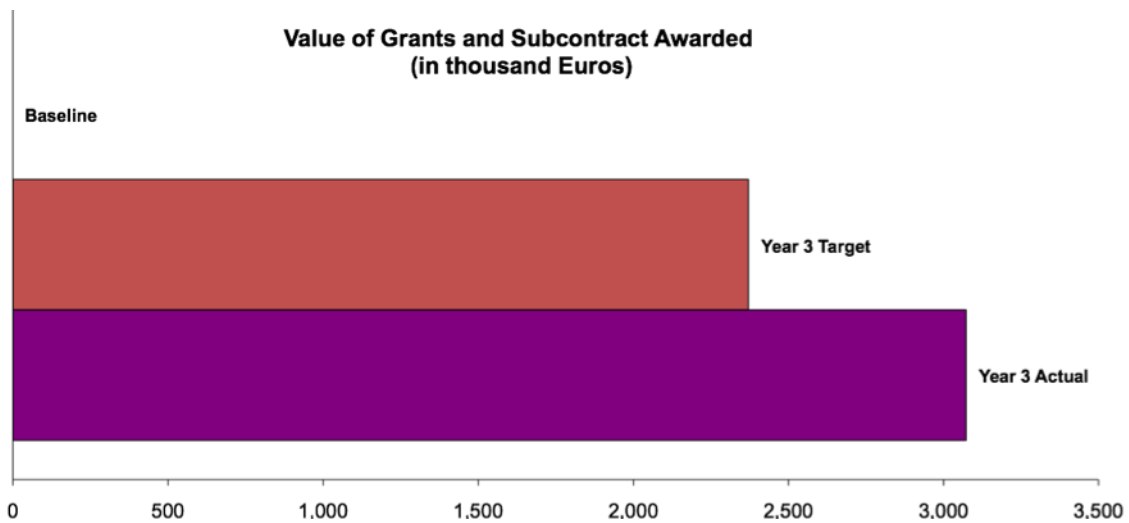


*Annual Results.* To date, there were 167 grants and sub-contracts awarded, of which 55 were sub-contracts and 112 grants.

### Indicator: Value of grants and sub-contracts

*Definition of the Indicator:* Value of grants and sub-contracts awarded.

*Data Source:* Data received from SAF specialist.



*Annual Results.* To date, the value of grants and sub-contracts awarded was €3,055,624, of which €712,105 were sub-contracts and €2,343,519 were grants.

**Annex 2: PMP Report-Annual Goals and Results**

SO# IR#	SO Name	Unit measure	Base -line Year	Base- line Value	2009 Targ et	2009 Actua l	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	201 2 Act ual
<b>1.3</b>	<b>Accelerated Growth of Private Sector</b>											
Indicators												
<b>1 (AR)</b>	Exports as % of imports, by sector	Percent	2008	10.20%	11.00 %	0.00%	11.50%	12.80%	12.00%	14.57%	13.00%	0.00 %
2	Foreign direct investment, by sector	Thousand Euros	2008	357,400	430,000	291,500	451,000	354,300	475,000	354,300	500,000	0
3	Value of sales, by sector	Thousand Euros	2008	4,418,000	4,900,000	4,552,795	5,400,000	3,294,933	6,000,000	2,473,112	6,700,000	0
4	Number of people employed, by sector	Number	2008	481,000	488,000	496,708	512,000	517,594	523,000	517,955	534,000	0
<b>1.3.1</b>	<b>Increased Competitiveness of Key Sectors</b>											
Indicators												
1	Increase in sales in target sectors over the baseline	Euros	2008	132,316,729	8,000,000	13,177,698	20,000,000	41,003,603	40,000,000	59,965,977	50,000,000	0
	% increase in sales over current baseline	Percent	2008	0	9.40 %	25.70 %	16.40 %	33.60 %	32.80 %	41.80 %	41.00 %	0.0 0%

SO# IR#	SO Name	Unit measure	Base -line Year	Base- line Value	2009 Targ et	2009 Actua l	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	201 2 Act ual
2	Increase in investments in target sectors	Euros	2008	0	3,200,000	9,570,686	8,000,000	15,256,256	16,000,000	21,304,066	20,000,000	0
<b>3 (AR)</b>	Increase in jobs created in target sectors	Number	2008	1,801	800	293	2,000	1,590	4,000	2,813	5,000	0
4	Number of enterprises assisted in target sectors	Number	2008	36	61	47	85	66	110	116	140	0
5	Number of new start-ups in target sectors	Number	2008	0	7	448	12	663	16	663	20	0
6	Number of entrepreneurs receiving services supported by USAID	Number	2008	0	0	496	500	539	TBD	668	TBD	0
<b>1.3.2</b>	<b>Improved and Demand Driven Business Support Services</b>											
Indicators												
1	Number of enterprises and associations providing business support services	Number	2008	11	20	15	30	15	35	16	40	0
2	Increase of sales among BSPs	Euros	2008	1,573,702	40,000	236,566	110,000	752,302	150,000	1,292,060	200,000	0



SO# IR#	SO Name	Unit measure	Base -line Year	Base- line Value	2009 Targ et	2009 Actua l	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	201 2 Act ual
3	Increase in jobs created among USAID supported BSPs	Number	2008	95	8	23	18	74	31	110	36	0
4	Progress on the Association Development Index	Median score	2008	1.59	1.6	1.65	1.7	1.65	1.9	1.65	2	0
5	Number of consultants trained/certified to provide business support service	Number	2008	0	70	19	150	19	240	19	300	0
<b>1.3.3</b>	<b>Improved Business Operating Conditions</b>											
Indicators												
<b>1</b>	<b>Progress on the Business Environment Index (BizCLIR)</b>											
<b>1.1</b>	<b>Contracts</b>	<b>Percent</b>	<b>2008</b>	<b>18%</b>	<b>25%</b>	<b>0%</b>	<b>32%</b>	<b>34%</b>	<b>40%</b>	<b>34%</b>	<b>50%</b>	<b>0%</b>
1.1.1	Supporting Institutions (B.3)	Percent	2008	10%	15%	0%	19%	21%	24%	21%	30%	0%
1.1.2	Social Dynamics (B.4)	Percent	2008	26%	35%	0%	44%	41%	55%	41%	69%	0%

SO# IR#	SO Name	Unit measure	Base -line Year	Base- line Value	2009 Targ et	2009 Actua l	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	201 2 Act ual
1.2	International Trade	Percent	2008	34%	41%	0%	49%	67%	59%	67%	70%	0%
1.2.1	Legal Framework (H.1)	Percent	2008	41%	45%	0%	53%	82%	63%	82%	74%	0%
1.2.2	Implementing Institutions (H.2)	Percent	2008	27%	40%	0%	47%	45%	56%	45%	65%	0%
1.2.3	Supporting Institutions (H.3)	Percent	2008	35%	40%	0%	47%	73%	56%	73%	65%	0%
1.2.4	Social Dynamics (H.4)	Percent	2008	34%	40%	0%	50%	61%	62%	61%	76%	0%
1.3	Foreign direct investment, by sector	Percent	2008	40%	48%	0%	52%	58%	55%	58%	60%	0%
1.3.1	Legal Framework (K.1)	Percent	2008	43%	45%	0%	49%	74%	52%	74%	57%	0%
1.3.2	Implementing Institutions (K.2)	Percent	2008	36%	45%	0%	49%	53%	52%	53%	57%	0%
1.3.3	Supporting Institutions (K.3)	Percent	2008	54%	60%	0%	65%	76%	70%	76%	76%	0%
1.3.4	Social Dynamics (K.4)	Percent	2008	28%	40%	0%	43%	43%	47%	43%	50%	0%
2	Progress on the policy index	Percent	2008	0	70%	72%	75%	92%	80%	93%	85%	0
1.3.4	Improved Capacity of the Workforce to Engage in Employment Opportunities											
Indica												

SO# IR#	SO Name	Unit measure	Base -line Year	Base- line Value	2009 Targ et	2009 Actua l	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	201 2 Act ual
tors												
1	The number of individuals trained through USAID sponsored training	Number	2008	0	700	1,620	1,400	4,183	2,500	6,290	3,000	0
2	Number of training certifications	Number	2008	0	80	20	160	252	275	663	325	0
3	Number of program participants that obtain employment	Number	2008	0	TBD	2	20	135	100	439	150	0
4	Number of individuals provided with services	Number	2008	0	800	7,326	1,600	9,078	3,500	9,449	4,000	0
5	Number of internship programs	Number	2008	0	3	3	6	13	8	19	10	0
	<b>Strategic Activities Fund</b>											
Indica tors												
1	Number of grants/sub-contracts	Number	2008	0	20	26	45	66	70	167	90	0
2	Value of grants and sub-contracts	Euros	2008	0	400,000	447,837	1,750,000	1,335,357	2,370,000	3,055,624	2,625,000	0

## Annex 3: PMP Report-Quarterly Results

SO# IR#	SO Name	Unit measure	Base -line Year	Base- line Value	2011 Target	Q1 2011 Actual	Q2 2011 Actual	Q3 2011 Actual	Q4 2011 Actual	2011 To Date
1.3	<b>Accelerated Growth of Private Sector</b>									
Indicators										
1 (AR)	Exports as % of imports, by sector	Percent	2008	10.20%	12.00 %	14.20%	14.20%	14.57%		
2	Foreign direct investment, by sector	Thousand Euros	2008	357,400	475,00 0	0	0	0		
3	Value of sales, by sector	Thousand Euros	2008	4,418,0 00	6,000, 000	808,320	746,50 0	918,29 2		
4	Number of people employed, by sector	Number	2008	481,000	523,00 0	0	361	0		
1.3.1	<b>Increased Competitiveness of Key Sectors</b>									
Indicators										
1	Increase in sales in target sectors	Euros	2008	132,316 ,729	40,000 ,000	8,899,6 02	311,98 1	9,750,7 91		
2	Increase in investments in	Euros	2008	0	16,000	2,085,3	1,485,7	2,476,6		

SO# IR#	SO Name	Unit measure	Base -line Year	Base- line Value	2011 Target	Q1 2011 Actual	Q2 2011 Actual	Q3 2011 Actual	Q4 2011 Actual	2011 To Date
	target sectors				,000	89	32	89		
<b>3 (AR)</b>	Increase in jobs created in target sectors	Number	2008	1,801	4,000	198	459	566		
4	Number of enterprises assisted in target sectors	Number	2008	36	110	6	3	41		
5	Number of new start-ups in target sectors	Number	2008	0	16	0	0	0		
6	Number of entrepreneurs receiving services supported by USAID	Number	2008	0	TBD	25	0	104		
<b>1.3.2</b>	<b>Improved and Demand Driven Business Support Services</b>									
Indicators										
1	Number of enterprises and associations providing business support services	Number	2008	11	35	0	1	0		
2	Increase of sales among BSPs	Euros	2008	1,573,702	150,000	169,538	217,238	152,982		
3	Increase in jobs created among USAID supported	Number	2008	95	31	3	29	4		

SO# IR#	SO Name	Unit measure	Base -line Year	Base- line Value	2011 Target	Q1 2011 Actual	Q2 2011 Actual	Q3 2011 Actual	Q4 2011 Actual	2011 To Date
	BSPs									
4	Progress on the Association Development Index	Median score	2008	1.59	1.9	0	0	0		
5	Number of consultants trained/certified to provide business support service	Number	2008	0	240	0	0	0		
<b>1.3.3</b>	<b>Improved Business Operating Conditions</b>									
Indicators										
<b>1</b>	<b>Progress on the Business Environment Index (BizCLIR)</b>									
<b>1.1</b>	<b>Contracts</b>	<b>Percent</b>	<b>2007</b>	<b>18%</b>	<b>40%</b>	0%	0%	0%		
1.1.1	Supporting Institutions (B.3)	Percent	2007	10%	24%	0%	0%	0%		
1.1.2	Social Dynamics (B.4)	Percent	2007	26%	55%	0%	0%	0%		
<b>1.2</b>	<b>International Trade</b>	<b>Percent</b>	<b>2007</b>	<b>34%</b>	<b>59%</b>	0%	0%	0%		
1.2.1	Legal Framework (H.1)	Percent	2007	41%	63%	0%	0%	0%		

SO# IR#	SO Name	Unit measure	Base -line Year	Base- line Value	2011 Target	Q1 2011 Actual	Q2 2011 Actual	Q3 2011 Actual	Q4 2011 Actual	2011 To Date
1.2.2	Implementing institutions (H.2)	Percent	2007	27%	56%	0%	0%	0%		
1.2.3	Supporting Institutions (H.3)	Percent	2007	35%	56%	0%	0%	0%		
1.2.4	Social Dynamics (H.4)	Percent	2007	34%	62%	0%	0%	0%		
<b>1.3</b>	<b>Foreign direct investment, by sector</b>	<b>Percent</b>	<b>2007</b>	<b>40%</b>	<b>55%</b>	0%	0%	0%		
1.3.1	Legal Framework (K.1)	Percent	2007	43%	52%	0%	0%	0%		
1.3.2	Implementing institutions (K.2)	Percent	2007	36%	52%	0%	0%	0%		
1.3.3	Supporting Institutions (K.3)	Percent	2007	54%	70%	0%	0%	0%		
1.3.4	Social Dynamics (K.4)	Percent	2007	28%	47%	0%	0%	0%		
<b>2</b>	<b>Progress on the policy index</b>	<b>Percent</b>	<b>2008</b>	<b>0</b>	<b>TBD</b>	93%	93%	93%		
<b>1.3.4</b>	<b>Improved Capacity of the Workforce to Engage in Employment Opportunities</b>									
Indicators										
1	The number of individuals trained through USAID	Number	2008	0	2,500	591	209	1,307		

SO# IR#	SO Name	Unit measure	Base -line Year	Base- line Value	2011 Target	Q1 2011 Actual	Q2 2011 Actual	Q3 2011 Actual	Q4 2011 Actual	2011 To Date
	sponsored training									
2	Number of training certifications	Number	2008	0	275	159	0	252		
3	Number of program participants that obtain employment	Number	2008	0	100	201	40	63		
4	Number of individuals provided with services	Number	2008	0	3,500	0	0	371		
5	Number of internship programs	Number	2008	0	8	0	0	6		
	<b>Strategic Activities Fund</b>									
Indica tors										
1	Number of grants/sub- contracts	Number	2008	0	70	56	22	23		
2	Value of grants and sub- contracts	Euros	2008	0	2,370, 000	713,301	541,35 7	465,60 9		